U.S. News & World Report

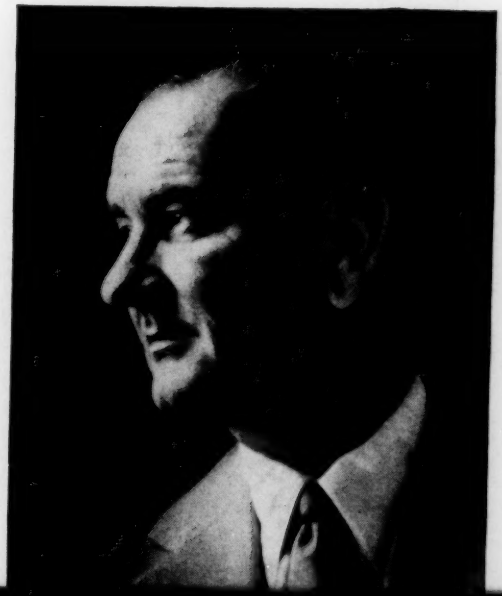
The United States News & World Report

SEPTEMBER 30, 1955 20 CENTS

RUSSIAN SPY TELLS OWN STORY

What Congress Will Do Next Year

As Senator Lyndon B. Johnson, Democratic Leader, Sees It ★ ★ ★ ★ ★ ★



The time bomb that gives an engine more power

THE explosion in a diesel engine has to be a time bomb. Unless it's timed to occur when the piston is in exactly the right position, power is lost.

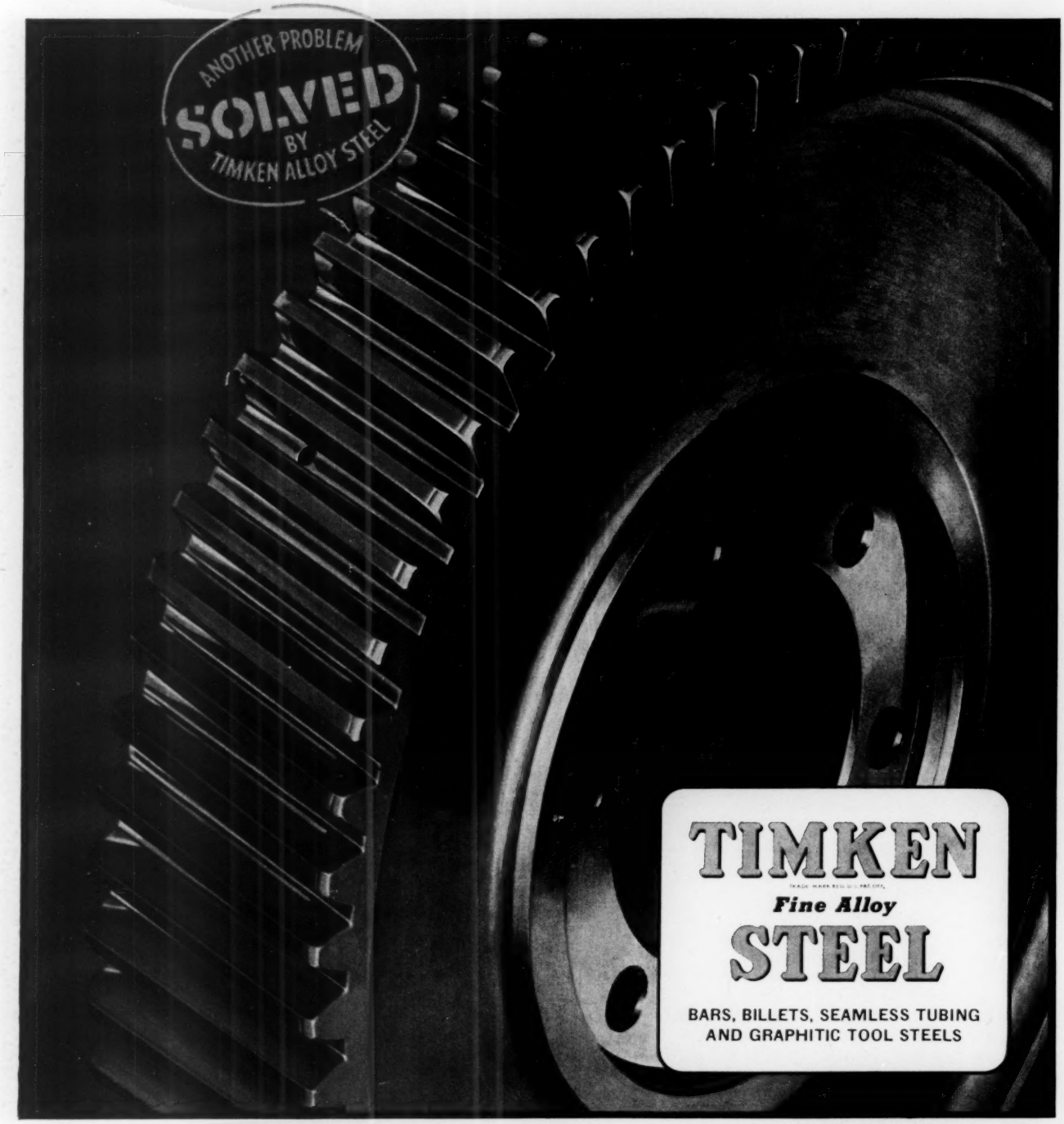
The delicate trick of timing the explosion just right is the job of the gear shown below. It has to be almost impervious to wear because even the slightest change in dimensions of the gear teeth will throw the timing off.

Obviously the gear manufacturer needed a steel that was extremely resistant to wear. But, to produce the gears economically, the steel also had to be easy to forge, easy to machine and highly responsive to heat treatment. And all these qualities had to be uniform in every shipment of steel.

It was a tall order. In his search for the right steel, the manufacturer brought his problem to Timken Company metallurgists. They recommended a certain analysis of Timken® alloy steel that had proved successful in similar applications.

Tests proved this steel was the answer. The gears were forged and machined easier. Thousands have been turned out with rejects of only half of one per cent. And because this steel is so wear-resistant, gear teeth keep their precision. The diesel's firing is timed just right, diesel owners get full power for their money.

This is one of hundreds of problems "Solved by Timken Alloy Steel". If you have a special steel problem, why not bring it to us? Write: The Timken Roller Bearing Company, Steel and Tube Division, Canton 6, Ohio. Cable address: "TIMROSCO". Tapered Roller Bearings, Alloy Steel and Seamless Tubing, Removable Rock Bits.

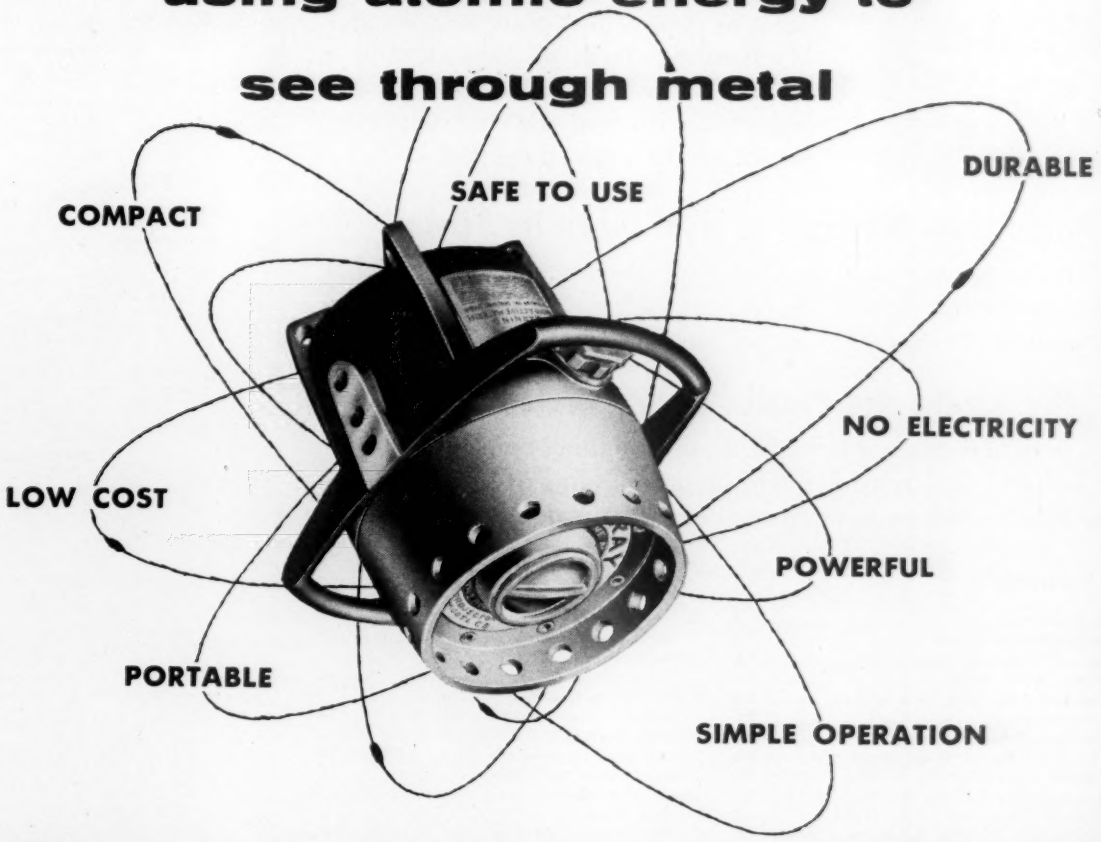


COPR. 1954 THE TIMKEN ROLLER BEARING COMPANY

The M. W. Kellogg Company announces

THE KEL-RAY* PROJECTOR

using atomic energy to see through metal



A Significant Advance In Nondestructive Testing

Developed from the "atomic camera" announced earlier this year by The M. W. Kellogg Company, and designed by Kellogg for its own use on equipment for petroleum refineries, the Kel-Ray Projector brings to industry a convenient, economical, and safe means of radiographing metal and other materials with gamma rays. Models are available in three sizes, using various radioactive isotopes of different strengths.

Far lower in initial cost than comparable X-ray equipment, these instruments use no electrical power and require almost no mechanical maintenance. All models are compact and completely portable, thus reducing the cost and time of field and shop radiographic inspection to a minimum. For example, one model will penetrate alloy steel as thick as 8 inches, producing a radiograph in a single, short exposure. It can make panoramic radiographs of up to 200 feet of welded seam at one time.

Most important is the safety of M. W. Kellogg's Kel-Ray Projectors. With the projector shutter closed, men can work near the instrument without any danger. The projectors themselves serve as shipping containers for their isotopes.

Kel-Ray Projectors are designed and manufactured by a new division of The M. W. Kellogg Company—the Nuclear Products Division, and are distributed exclusively by Metal & Thermit Corporation. First displayed at the Trade Fair of the Atomic Industrial Forum, Washington, D. C., September 26-29, they will also be shown by Metal & Thermit Corporation at the National Metal Exposition, Philadelphia, Pa., October 17-21.

For complete information, get in touch directly with Metal & Thermit Corporation, 100 East 42nd Street, New York 17, N. Y.

Nuclear Products Division KELLOGG **The M. W. Kellogg Company**

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IN THIS ISSUE

★ Did Spies Cost U. S. Victory in Korea?

What was behind the Chinese Communist decision to enter the Korean war, just as that war had been won by U. S. and its allies? New revelations point to British diplomats Burgess and Maclean. See page 21. Also: text of a British White Paper on the two men, page 76; a Russian spy's story of how Soviet agents work, page 114.

★ How Russia Manages to Hold Down Its "Debt"

This is the real story behind a touring Senator's remark that "Russia has no debt." The reason: When it gets too big, the Government can simply lop off most of it, start over. Page 106.

★ Why Youths Are Puzzled by the Draft

For actual cases of how the draft sometimes calls up key men in industry and science while ignoring young volunteers—plus the latest word on new draft rules in the making—see page 32.

★ Contents

March of News 4
Washington Whispers 8
Tomorrow: A Look Ahead 11
People of the Week 16
How Two Spies Cost U. S. a War 21
Your Dollar: Slipping a Little 25
Who Gets Free Polio Shots 28
Why Some Are Drafted, Others Not 32
Wanted: Magic Formula for Farm Problem 34
Argentina: Hard Times for Dictators? 38
An Atomic Navy for U. S.—When 40
First Time in 8 Years: Crime Rate Down .. 44
Troubles of the Liquor Industry 46
Worldgram 51
★ What Congress Will Do Next Year: Interview With Sen. Lyndon B. Johnson 56
The Man—The News: Ezra Benson—On the Spot 62
Still Higher Taxes for New Highways? 69
Memo From the Red Border 71
Britain Explains Burgess-Maclean Flight —Text of Foreign Office Paper 76
News You Can Use 81
We've Been Asked: Who Really Owns White House Records 85
Labor Week: What Soviet Offers Its Workers 86
Dulles Sees a Chance for Real Peace —Full Text of Address to the U.N. 92
Molotov Says U.S. Should Cut Forces And Give Up Overseas Bases 97
News-Lines for Businessmen 100
Trend of Business 103
Finance Week: Why Russia "Has No Debt" 106
Business Around the World 111
★ Russian Spy Tells Own Story —by Vladimir Petrov, Former Red Agent .. 114
Indicators of Business Activity 131
David Lawrence Editorial 132

COVER: Senator Lyndon B. Johnson, Majority Leader in the Senate. See page 56. (USN&WR Photo)

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THE UNITED STATES NEWS

WORLD REPORT

U. S. WEEKLY
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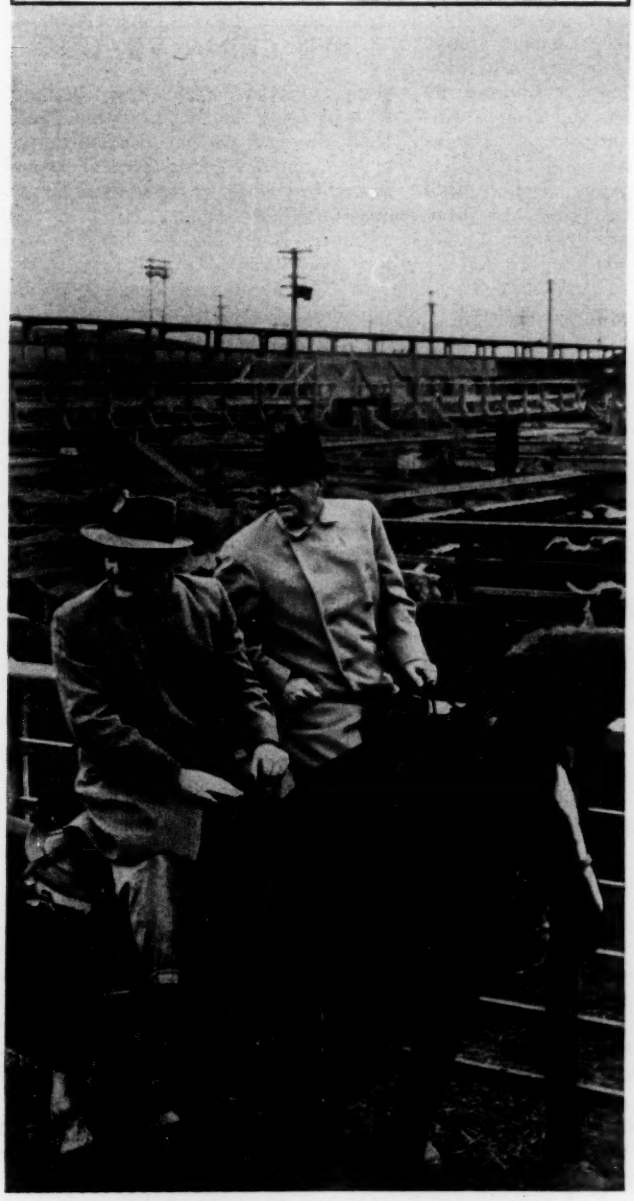
Does your banker ever do business on horseback?



THE QUIET EFFICIENCY of a bank might be a far cry from the bustle of the cattle pens in a stockyards. But the man on the right—looking over a shipment of stock from the saddle of a stockyards horse—came straight from his desk at The First National Bank of Chicago!

The banker on horseback is a loaning officer from Division A, the Division of our Commercial Banking Department that specializes in the meat packing, livestock and feed industries. He's accompanying a stockyards official on an inspection trip into the pens, because he considers current market information quite important in his job at The First.

We realize that interest like this isn't absolutely essential to making a loan. Still we feel it makes for the easiest and most mutually profitable relationship with our customers. That's why, wherever there's business or industrial activity, you're liable to find a man from the Commercial Department of The First.

You see, our Commercial Department is organized into 10 separate Divisions, each serving one group of related industries exclusively. Each Division is staffed with "industry-specialized" bankers who get out in their fields whenever they can, to study new developments firsthand.

This means that whatever *your* business, we have a group of officers with more than an average banker's interest in it. These men know markets, trends and current problems as they pertain to *your* field. They can serve you better because they know what kind of financing you want and why.

If this kind of banking appeals to you, why not talk your situation over with a loaning officer who speaks your business language? A phone call or letter will put you in touch with him today.

The First National Bank of Chicago

Building with Chicago since 1863

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Magnetic Tape in Business

By "Davy" Crockett
3M Sales Training Director

MAKE SALES TRAINING PROGRAMS more efficient—at low cost—with recordings on magnetic tape. A good machine plus the right tape can help your salesmen learn pleasant speech habits, forceful presentations and uniform approaches. Each man records his voice, then listens to the playback. This way he hears things that he might otherwise miss—minor defects, like slurring or hesitation that could cost you sales. Repeated recording sessions and some critical self-appraisal usually clear up such unpleasant speech mannerisms. Result: more effective sales personnel.

HOW TO BE IN 2 PLACES at once. It's no trick for busy executives who use magnetic tape recordings. Even when called out of town they can handle office routine by taping instructions, speeches and messages in advance. "SCOTCH" Brand High Output Magnetic Tape 120 is particularly suited for such jobs. It captures every word, every inflection with complete fidelity . . . reproduces your voice with breath-taking realism. And, like all "SCOTCH" Brand Tapes, new 120 Tape can be used over and over—perfect clarity even after thousands of playings!

WHAT'S ON YOUR AGENDA? . . . Round table discussions . . . labor-management meetings? Keep a permanent record of them on tape. And with new "SCOTCH" Brand Extra Play Magnetic Tape 190, you can record even longer business material without annoying interruptions for reel change. New 190 Tape gives you 50% more tape on the same size reel . . . as much as you'd find on 1½ reels of standard tape.

STRENGTH TO SPARE is another feature of the new Extra Play Tape. It's strong enough to withstand the strain of most recording machines. And it gives you remarkable sound qualities because of its increased frequency range. Ask for a demonstration of new "SCOTCH" Brand Extra Play Magnetic Tape 190 or new High Output Magnetic Tape 120 at your tape dealer's.

YOUR QUESTIONS about uses of magnetic tape in business are always welcome. I'd like to hear from you. Just write—Business Division, Minnesota Mining and Manufacturing Company, 900 Fauquier Avenue, St. Paul 6, Minnesota.

The term "SCOTCH" and the plaid design are registered trademarks for Magnetic Tape made in U.S.A. by MINNESOTA MINING AND MFG. CO., St. Paul 6, Minn. Export Sales Office: 99 Park Avenue, New York 16, N.Y. © 1955 3M Co.

(Advertisement)

The March of the News

WORLD TROUBLE SPOTS

IN MOSCOW last week, East German Communist boss Walter Ulbricht got Russia's permission to control the traffic arteries between Berlin and the West; promptly threatened to shut them down if West Germany continues its "cold-war policies."

In France, 50,000 workers were on strike and the Communist-dominated General Confederation of Labor was urging more strikes. Premier Edgar Faure countered with a back-to-work plea.

In North Algeria, 200,000 French and native troops were engaged in repressing disorders. . . . At Gaza, the uneasy truce between Israel and Egypt was marred by frequent incidents. Israel moved troops into a demilitarized zone and said they would stay until Egypt withdrew its forces. . . . Off Formosa, the Chinese Nationalist Navy continued sporadic attacks on Communist-held islands. . . . In Vietnam, Government troops clashed with rebel forces. . . . In Argentina, revolution toppled the nine-year-old regime of Juan D. Perón (see page 38).

IKE PAINTS AND FISHES

PRESIDENT EISENHOWER forsook his golf clubs for another session of fishing at the Rocky Mountain ranch of Denver businessman Aksel Nielsen. His all-male party included Mr. Nielsen and George E. Allen, an old friend.

Host Nielsen had used a steam shovel and bulldozer to deepen St. Louis Creek for the President's pleasure. But M.Sgt. John Moaney, Mr. Eisenhower's valet, took the honors of pulling a 14-inch rainbow trout from one of the new pools.

Mr. Eisenhower took over the cooking chores for the group; held meals down to two a day for reasons of diet; proved his skill with a breakfast of "leftovers," featuring fried mush. When subfreezing temperatures, hail and rain drove the party indoors, the President got in a few good licks with his paintbrush.

HOW MUCH HORSEPOWER?

AUTOMOBILES impose an "unwarranted potential hazard" on the driver, the American Automobile Association declared last week. In a unanimous resolution, the AAA's 53d annual meeting urged car manufacturers to pay less attention to horsepower and more attention to safety.

"Reasonable reserve power" is necessary for overtaking and passing, the auto experts conceded, but power beyond that, they said, is hazardous. The great need today, in AAA's view, is for "ways and means of protecting the driver against his own mistakes."

TRAVEL IN RED EUROPE

STATE DEPARTMENT OFFICIALS were considering making it easier for Americans to travel behind the Iron Curtain in Europe. A formal study was under way, aimed at revamping passport regulations. Now the Department stamps most passports "invalid" for travel in Communist countries. Exceptions are generally made only for persons who have official sponsorship.

RED CHINA VS. U.N.

FOR THE SIXTH TIME since Communists took over the Chinese mainland in 1949, the fight was on. Russian delegates to the United Nations General Assembly moved last week to admit Red China to membership.

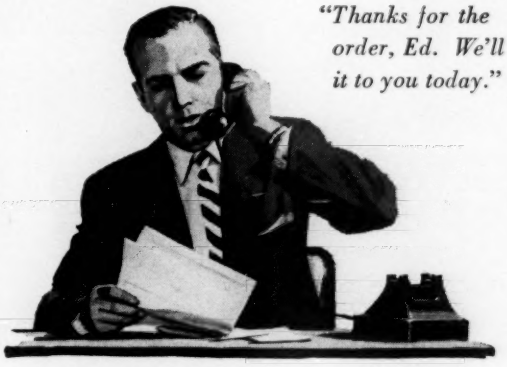
Anti-Communists won, but the margin was narrowing. With 42 nays, 12 yeas and 6 abstentions, there were these switches: Indonesia, which abstained last year, joined the Soviet side; Israel, which voted with the U. S. last year, abstained.

TRUMAN MEMOIRS

HARRY S. TRUMAN told how U. S. relations with Russia went sour after World War II. In his memoirs, now being published in *Life*, he recalled his first meeting with Soviet Foreign Minister V. M. Molotov, in Washington. It happened on Mr. Truman's twelfth day in office. That was the occasion when the new U. S. President gave the Communist diplomat a dressing down that echoed all the way to Moscow.

As the former President tells it, this was the sequence of events: In the early afternoon, Mr. Truman conferred with Secretary of State Edward Stettinius and other foreign-policy advisers. They briefed him on Russia's failure to carry out the Yalta agreement on Poland.

At 5:30, Mr. Molotov arrived, and, says Mr. Truman, "I told him that all we were asking was that the Soviet Government carry out the Crimean decision on Poland." Mr. Molotov responded with generalities, and Mr. Truman "replied sharply." When Molotov protested that he had never been talked to like that in his life, Mr. Truman says: "I told him, 'Carry out your agreements and you won't get talked to like that.'"



"Thanks for the order, Ed. We'll ship it to you today."

"Inventory's low on both items. We'll need a hundred of each by Tuesday."

"We need some more information right now. Let's call the home office!"

Get it done now by telephone

Whether the job is selling, purchasing, administration or anything else, the telephone is ready to help you get it done *fast*—even though the people you want to reach are out of town.

So use the telephone regularly to keep in touch with out-of-town customers and prospects — and with your own sales force, branch offices and other company units. It's easy to do. Personal. Low in cost. *And it gets results.*

You'll find that's true whatever you make, whatever you sell. Thousands of firms have proved it. We have many specific suggestions based on their experience and we'd like to pass them along to you. Just call your Bell Telephone Business Office.

LONG DISTANCE RATES ARE LOW

Here are some examples:

New York to Philadelphia	**50¢**
Baltimore to Pittsburgh	**80¢**
St. Louis to Cincinnati	**$1.00**
Atlanta to Chicago	**$1.35**
Los Angeles to Detroit	**$2.35**

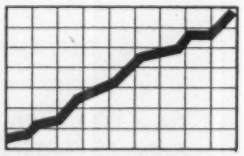
These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

CALL BY NUMBER. IT'S TWICE AS FAST.

BELL TELEPHONE SYSTEM

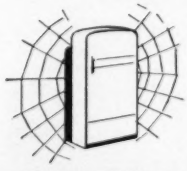
HERE ARE 12 REASONS WHY REPUBLIC'S STEEL KITCHENS BUSINESS IS A GOOD BUSINESS:

The kitchen market is Big. An estimated 4 million-plus kitchens are installed yearly. Big share—65% — falls to remodeling . . . natural dealer business. Most homes ten years and older have inadequate kitchens.



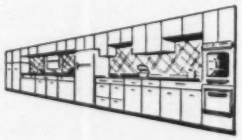
The steel kitchen market is growing at a faster rate than wood kitchens. Dollar-wise, in the last 14 years it has grown from $15 million to $175 million a year!—or an increase of 1067%! And its growth has scarcely begun.

Steel kitchens offer high unit sales. When a dealer sells kitchens, he sells sinks, wall cabinets, base cabinets, special purpose units, and accessories. One kitchen sale will often equal five, seven or even ten other sales.



No trade-in problems. And, no need to lose important profit margins on sales by taking a loss on trade-ins. Steel kitchens are *clean* sales with wide, prosperous margins of profit for healthy business growth.

Steel kitchens offer greater margins. With most white-goods lines carrying normal 20% to 25% margins—whittled down to 12% to 15% by discount houses —the clean 40% margin kitchens business is really profitable.

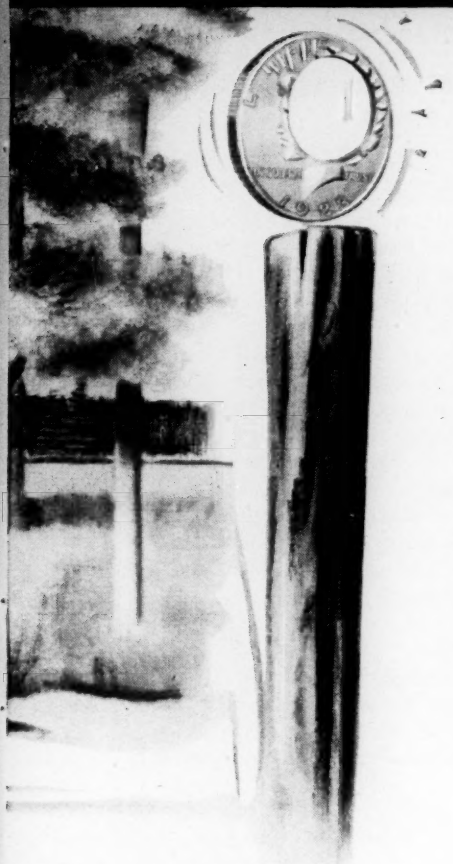


There is a unique opportunity for add-on sales. When a woman buys a sink, she has a *complete* kitchen in mind — not just the kitchen cabinets, but the floor covering, wall covering, paint, curtains, and accessories, as well.

Model changes are few and far between. Because kitchens, unlike "plug-ins", become an integral part of a home, obsolescense is extremely infrequent. A dealer has a line of merchandise he can live with for years.

The line to carry, of course, is Republic Steel Kitchens—the company that has brought a fresh, vigorous sales viewpoint to the kitchen market! It's the only major kitchen manufacturer *not* bound to "past" business practices.

retail business frontier left!



It's the "Full 40%" Kitchens Business That Republic Helped Pioneer!

Despite today's business world of discount houses, increasing competition and shrinking margins, a retailer with imagination, determination, and common sense still has the opportunity to make a comfortable "good old days" kind of living—in the steel kitchen business, with *Republic!*

Republic Steel has long subscribed to the belief that ours is truly a land of never-ceasing opportunity for businessmen with the enterprise to think freely, and to prosper through free enterprise.

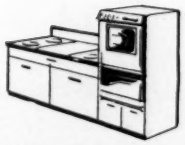
It was this belief that led Republic to put spurs to its kitchen program two years ago, and, together with a growing group of America's distributors and dealers, bring it from a standstill to its present full gallop.

If you are a retailer or a businessman who sells to retailers, you will recognize that the unique business opportunities spelled out on these pages indicate that there is still a retail frontier left—in steel—created by Republic.

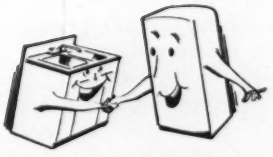
REPUBLIC STEEL

General Offices • Cleveland 1, Ohio

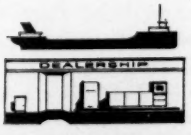
The Steel Kitchens Business, Like Republic, is a Good Investment



When built-in appliances are sold, so are cabinets to hold them. The trend is definitely toward built-ins, with their outstanding woman-wanted advantages. And—built-ins *belong* in fireproof steel cabinets!



Steel kitchens complement present lines, do not compete. There's no danger of stepping on the toes of current sources of supply, because Republic does not manufacture competitive lines of disposers or dishwashers.



Republic is the only "ore-to-store" operation in the kitchen industry. It is the only manufacturer producing and using its own steel in its own products. And, its pioneer spirit helped launch the steel kitchens business.

Republic Steel is a leader in the steel industry, one of the few companies in the United States to exceed the billion dollar yearly sales figure. It's a solid, substantial company which backs up its products all the way!

If you, too, have a fresh, vigorous outlook on the retail business (either from a dealer's or a distributor's standpoint), and you want a steel kitchens line that offers you exclusive advantages, use the coupon below to find out how to get in the kitchen business.

REPUBLIC STEEL CORPORATION
BERGER DIVISION
1032 Belden Avenue,
Canton, Ohio

REPUBLIC STEEL

Please send me information on Republic Steel Kitchens, and the profitable kitchen business.

Your Name _____

Firm Name _____

Business Address _____ *City* _____

Zone _____ *County* _____ *State* _____

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Washington Whispers®

[Items appearing on this page are reported in Washington and other news centers]

U. S. Envoy Warns of Red Wiles . . . "New Dealer" Tag Hurts Harriman in South . . . Cabinet Post for Dewey?

Thomas Dewey's friends are convinced that the former New York Governor is interested in hitting the comeback trail to politics. Mr. Dewey is about to make a world tour that will give him a refresher course in world affairs.

★ ★ ★

There are rumors in Republican circles that Mr. Dewey will be in the Eisenhower Cabinet before the 1956 Republican Convention.

★ ★ ★

President Eisenhower's long absence from Washington and the scarcity of important officials on his vacation list of visitors is being eyed carefully by Democrats in search of issues for 1956. The President is pictured as maintaining a minimum of contact with his White House office.

★ ★ ★

Rumors are growing that Sherman Adams, as chief of staff to the President, is keeping as much work as possible away from Mr. Eisenhower in the hope of convincing him that the presidential job really is an easy one after all, and that there is no reason why he should resist a second nomination.

★ ★ ★

Donald Maclean and Guy Burgess, important British diplomats who were Communist spies, did more damage to U. S. than Klaus Fuchs, British scientist, who has been described as the "master spy of all time." Fuchs is credited with having given the Russians secrets that enabled them to gain at least 18 months in making an atom bomb. Maclean and Burgess gave the Communists word that Red China could jump into the Korean war without getting hurt much in return. Almost three years of war and thousands of American casualties followed.

Charles Bohlen, American Ambassador to Moscow, does not share the optimism of the White House that all now is going to be well in dealings with the Communists. Mr. Bohlen is understood to be reporting that, by a simple shift in tactics—stressing kindness, not bluster—the Communists are making gains they couldn't make in the rougher days.

★ ★ ★

Konrad Adenauer, West Germany's Chancellor, really got "taken in" by the sweetness-and-light treatment during his Moscow visit. American officials now, in private, admit as much.

★ ★ ★

American diplomats put their money on Juan Perón, Argentine dictator, during the closing days of his reign. These diplomats tried to convince correspondents that Perón, in office, was important to U. S. There now are reports that U. S. Ambassador Albert Nufer will be replaced in Buenos Aires.

★ ★ ★

V. M. Molotov, Foreign Minister of the Soviet Union, is going to offer a "package deal" for uniting Germany when he meets with other Big Four foreign ministers at Geneva in October. Russia's price for a deal: U. S. to get out of Europe; North Atlantic Treaty Organization to be dissolved; Germany to be neutralized.

★ ★ ★

Sir Anthony Eden, British Prime Minister, is pictured by high American officials as inclined to bargain with the Communists on the terms they will propose next month. The British view that a deal might be made at West Germany's expense is beginning to be pushed by some important American commentators.

Diplomats of both France and Britain are described as veering toward more concessions to the Communists and away from the former American position of firmness.

★ ★ ★

George Humphrey, Treasury Secretary, is given no more than a 50-50 chance of selling the idea that a billion dollars more can be cut from planned expenditures of the armed services in the year to end next June 30. Minimum outlays by the Army, Navy and Air Force now are being set at around 34 billion dollars.

★ ★ ★

Members of the U. S. Congress, back from Russia, are reflecting a view that more effort should be made to do business with the Communists.

★ ★ ★

Gen. Lemuel C. Shepherd, Jr., Commandant of the Marine Corps, who sits with the U. S. Joint Chiefs of Staff, is planning to retire at end of the year, at age 59, three years short of mandatory retirement age. Friends say that his wife's health is the basis of his decision.

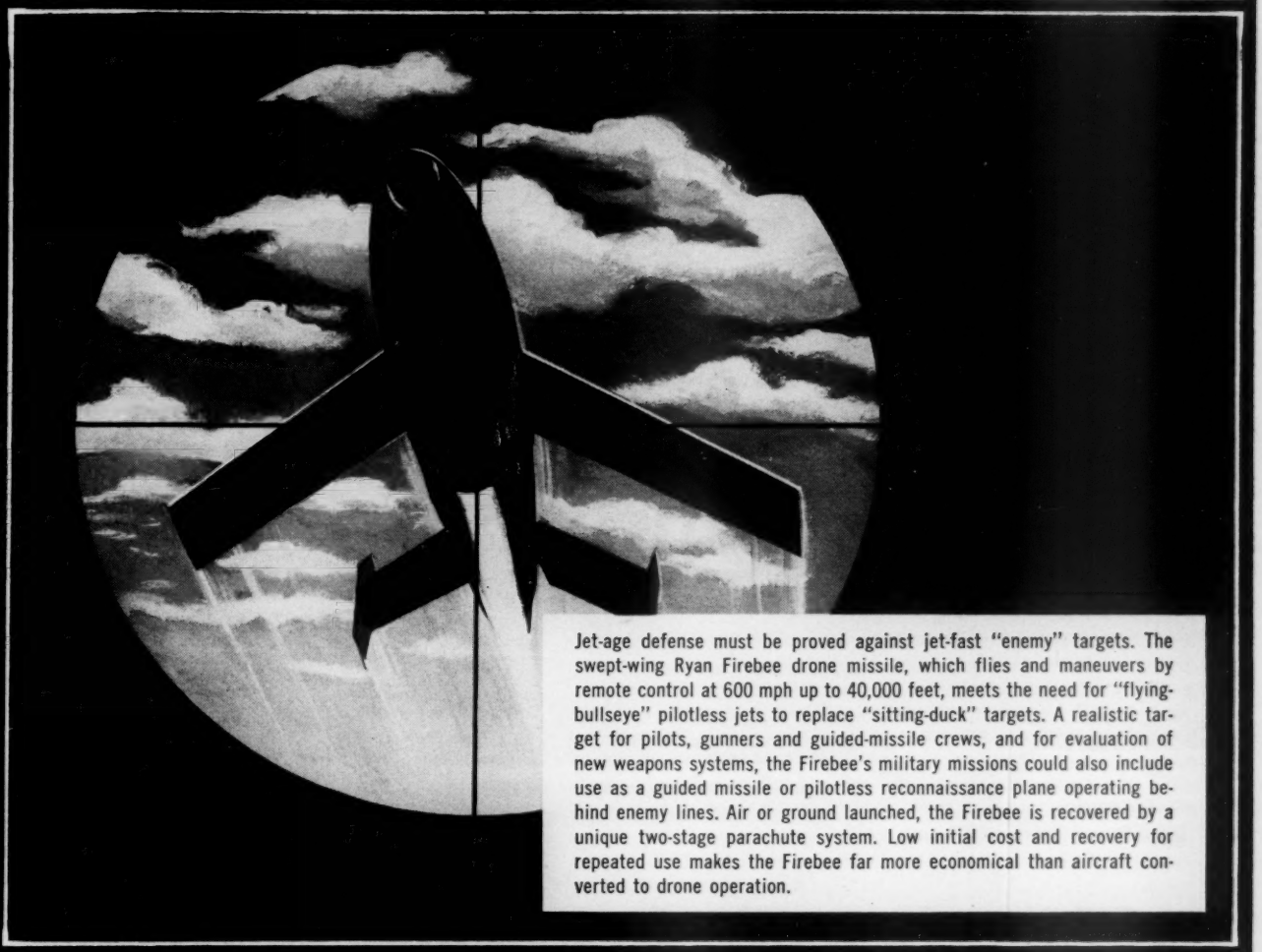
★ ★ ★

Adlai Stevenson, 1952 Democratic nominee for the Presidency, is being told by his friends that he will have to start early and work hard if he expects to gain the nomination again in 1956. Mr. Stevenson was able to sit back and be drafted last time.

★ ★ ★

Averell Harriman, New York Governor, a receptive candidate for the presidential nomination on the Democratic ticket in 1956, is up against intense opposition of the Southern wing of the party on the ground that he is more of a New Dealer than is Mr. Stevenson.

FIREBEE–600 MPH "BULLSEYE"



Jet-age defense must be proved against jet-fast "enemy" targets. The swept-wing Ryan Firebee drone missile, which flies and maneuvers by remote control at 600 mph up to 40,000 feet, meets the need for "flying-bullseye" pilotless jets to replace "sitting-duck" targets. A realistic target for pilots, gunners and guided-missile crews, and for evaluation of new weapons systems, the Firebee's military missions could also include use as a guided missile or pilotless reconnaissance plane operating behind enemy lines. Air or ground launched, the Firebee is recovered by a unique two-stage parachute system. Low initial cost and recovery for repeated use makes the Firebee far more economical than aircraft converted to drone operation.

Another Example of How

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America's fastest, most elusive target—the Firebee—is an outstanding achievement in advanced design. To meet the needs of America's air defense, Ryan engineers created this new pilotless aircraft by skillfully blending their knowledge of aerodynamics, jet propulsion and electronics. For more than 32 years, industrial and military leaders have called upon Ryan to solve the increasingly complex problems of aeronautical science. Striking examples are the Firebee, Ryan's new jet VTO airplane, precision built components for jet, rocket and piston engines, and electronic devices for guidance and navigation.

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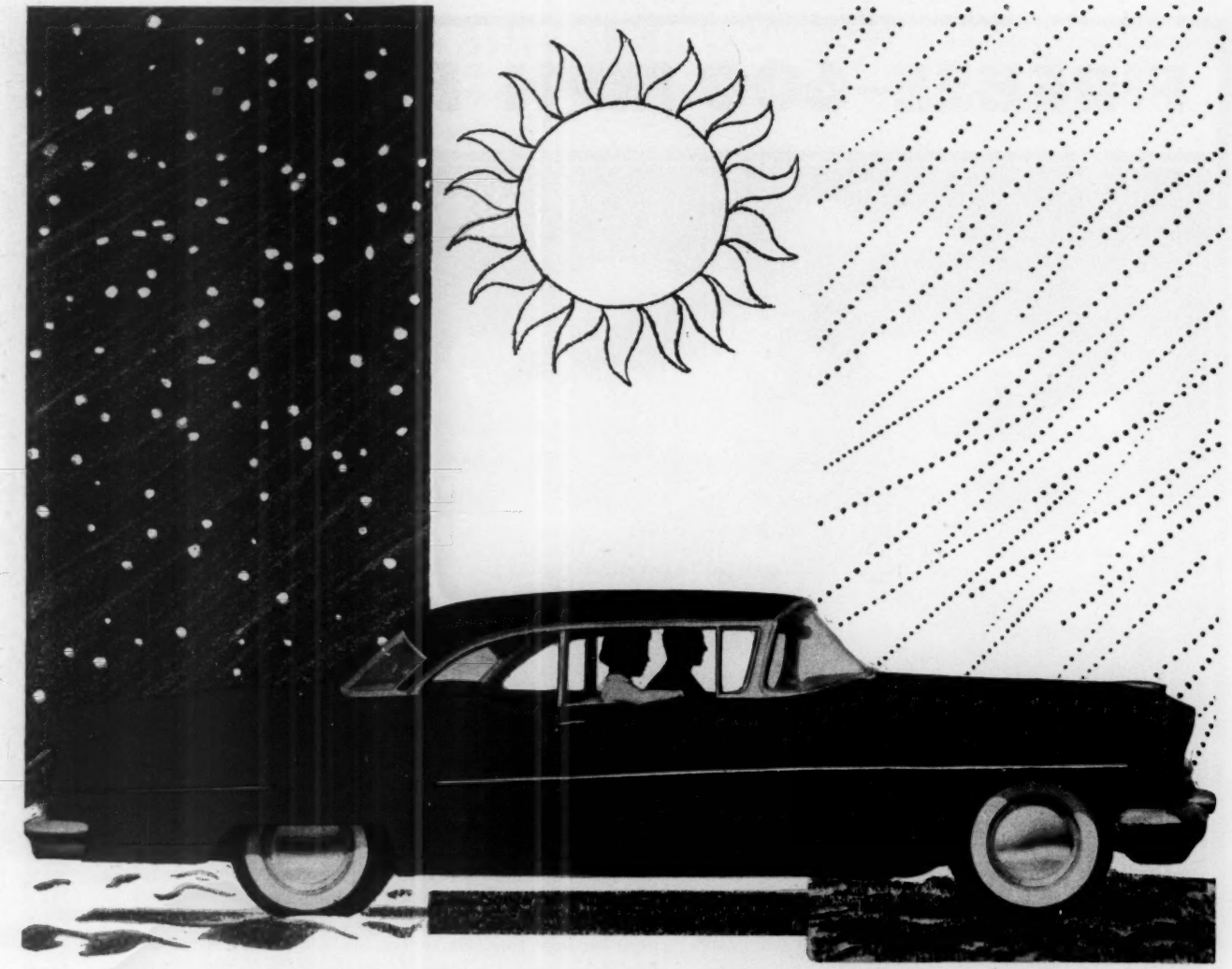
METALLURGICAL ENGINEERING	WEAPONS SYSTEMS		ROCKET MOTORS & RAM JETS	AIRCRAFT EXHAUST & DUCTING SYSTEMS



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A LOOK AHEAD

Newsgram®

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It is the Eisenhower plan right now to let well enough alone, to avoid disturbing talk, upsetting action, anything to ruffle the present calm.

Long vacation fits into that pattern. A tight rein on official talk does, too. Orders barring critical references to the Soviet Union are part of the same thing. Official squabbling is under drastic restraint.

It's been 26 years, at least, since things were so quiet.

The purpose: to let people enjoy themselves; to get a rest from war talk; to let private business have its head; to try to make it hard for the Democrats to develop issues or create personality rifts before 1956 elections.

The aim continues to be an era of good feeling. Happy voters will not be expected to vote for changes when election time comes next year.

A sour note at the moment is coming from the farms. Farmers, it seems, are not happy about the way things are going, not fully satisfied.

Wage earners, farmers observe, keep getting annual raises. Salaries, as well, go on rising regularly. Pay of Government workers, pay of Congressmen, judges, teachers, policemen are marked up. Profits go on pushing ahead.

Prices then reflect the higher pay, the higher cost of materials.

The farmer, however, finds his income pointed down, his costs going up. Farm machinery is being marked higher. Stores charge more for things he must buy. Taxes are rising. Farm labor is scarce and higher-priced.

Politicians notice that many farmers appear to feel out of the happy procession toward ever and ever better times. There is a question why the farmers, too, cannot get more instead of getting less.

What you can be quite sure of as a result of farmer grumbling is this:

Prices of many farm products will continue to be supported. Support of prices at 90 per cent of so-called "parity" almost surely will be voted by Congress in 1956; almost surely will then be vetoed by Mr. Eisenhower.

So-called "flexible" supports, likely to be saved by a veto, will then be supplemented by larger payments to farmers for "soil conservation". Farm income, in one way or another, will be bolstered further. Cost to taxpayers: probably a minimum of 1 billion dollars a year, maybe more.

"Soil bank" idea will be talked about, probably not voted. It's a plan to have Government lease "surplus" acres, retire them from use. "Two-price plan," largely for wheat and cotton, will be pushed but probably will not make the grade. "Brannan plan" for letting prices fall, supplementing income of farmers

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by big checks from the Treasury, will lurk in the background.

Farm problem, already 35 years old, will hold on for a long time.

Government, gradually, will move more and more deeply into agriculture; will take on more and more responsibility for organizing and directing that industry. The reason: Farmers hold the margin of votes that determines who wins power in a large number of key States. While farm members are declining, politicians cannot alienate farmers and still win.

Inflation, outside farming, keeps creeping along. Wage rates are being marked up 10 to 12 cents an hour against 6 or 7 a year ago. Price after price is going up with wages. New cars are to cost about 5 per cent more on an average. TV sets are increased $10 to $20 in many cases. Building costs are edging higher. Prices are firm to higher for most manufactured goods.

Deals, it is true, still are stressed, but dealing in months ahead will be on the basis of at least slightly higher prices for consumers. Alternative: A lot of dealers will go out of business, as they must pay more for goods.

Looking ahead, you can expect things to develop this way:

Business activity will hit a top, level out by late 1955, early 1956. Credit tightening will begin to exercise moderate restraint on demand. Price rises, likewise, will have at least some effect upon buying.

Less-easy credit and higher prices are likely to put a ceiling on the demand for cars, household appliances, new houses, many other things.

By spring, 1956, business may feel a bit less buoyant.

Tax cuts then will appear, to release more income for spending.

Credit controls, tightened a little now, will very probably be eased.

The boom, reaching for its top in this period, may respond again to the moves affecting taxes and credit to be expected by mid-1956.

New highs in activity, employment, profits, well-being of the people will be sought for the autumn of 1956 when elections will be all-important. Longer-range outlook will be related to the elections of next year, to the choice that voters make of a President and a Congress.

Whoever wins in 1956 will face strong pressure to keep mild inflation going. Almost no group, in this country or outside, is inclined any longer to accept the view that corrections through deflation are desirable.

Economic trouble, if it comes, most probably will result in use of new devices to revive mild inflation, to try to float over troubles on a sea of money, instead of to bring adjustments through liquidating of debt.

What this can mean in practical terms: Individuals thinking of a life in retirement cannot be fully confident that the income they have will always buy what it now buys. Fixed income, probably, does not provide the security that it provided in times past. Retired persons, quite probably, will not soon--if ever again--enjoy the kind of gain in position that they enjoyed after 1929. Their loss of relative position since 1940 has been great.

Real inflation, barring more war, is improbable. A gradual rise in the level of prices, however, is more probable than not over the years ahead. Price declines, when they occur, will bring strong pressure to inflate.

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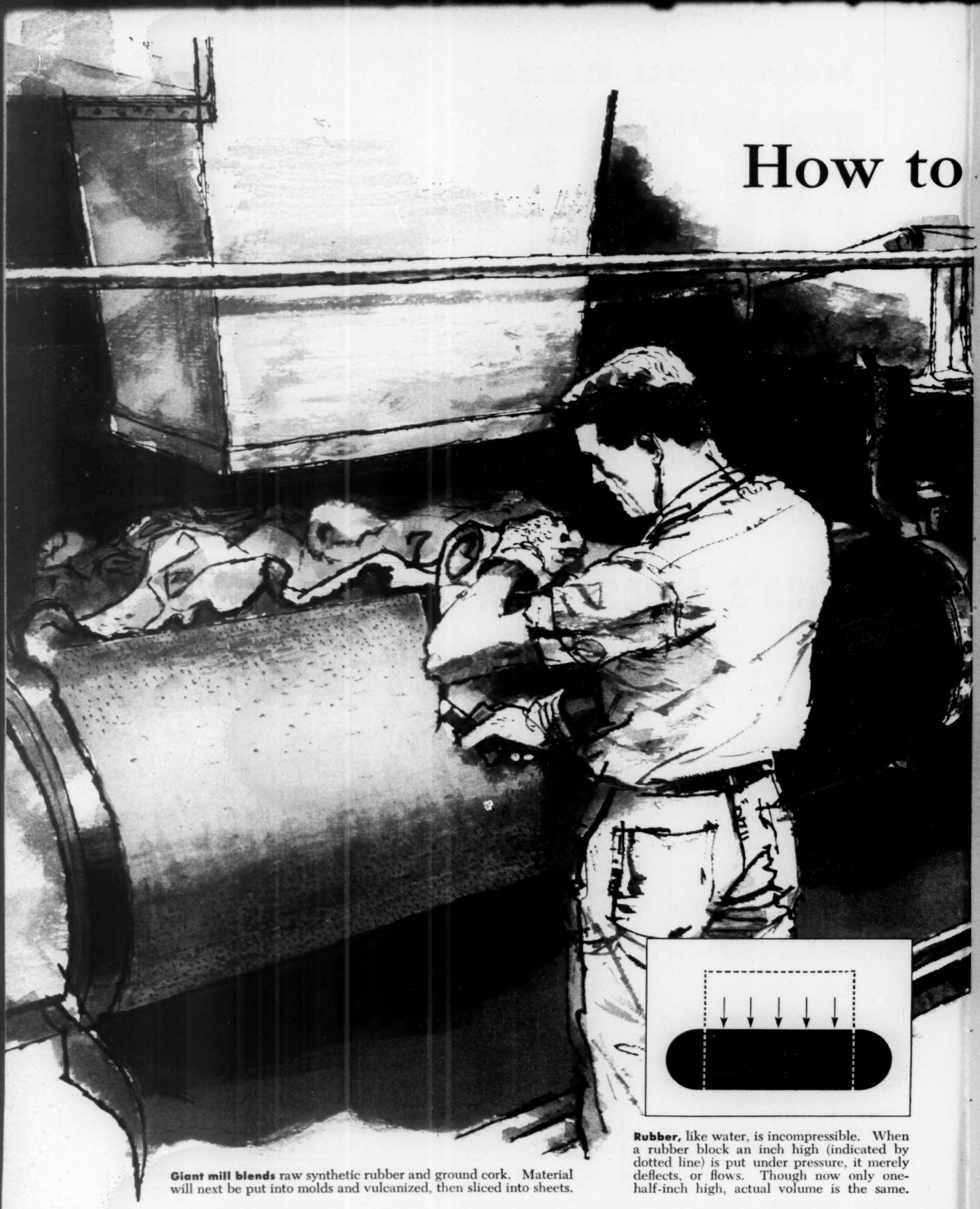

Giant mill blends raw synthetic rubber and ground cork. Material will next be put into molds and vulcanized, then sliced into sheets.

Rubber, like water, is incompressible. When a rubber block an inch high (indicated by dotted line) is put under pressure, it merely deflects, or flows. Though now only one-half-inch high, actual volume is the same.

make rubber compressible

Rubber: you can twist it, stretch it, or flex it **. . . but you can't compress it.**

That's a fact that will surprise many people, for it's easy to confuse "give" or "squeezeability" with compressibility. Actually, when a chunk of soft rubber is squeezed, it just changes shape. It "flows," because rubber—like water—is a hydraulic material. Pressure can't reduce its volume.

Mix ground cork into rubber, however, and the picture is completely different.

That's because cork is one of nature's most compressible substances. It's so compressible, in fact, that a block of it can be squeezed to less than half its original volume. Cork, like air, is a pneumatic material.

Armstrong research chemists found that when you combine the compressible material, cork, with the incompressible material, rubber, you get a product that falls between the two. That is, when pressure is put on it, the new material flows some – and compresses some. How much it compresses depends upon how much cork is added.

But why make rubber compressible at all? The answer is, so rubber can do more jobs and do them better. For example, synthetic rubber alone has desirable properties as a gasket. For one thing, it's impervious . . . liquids and gases can't pass through it. But when an all-rubber gasket is used to seal between two flat surfaces, it may "flow" or creep out of position when the bolts are tightened. Result: a leaking joint.

You don't have that trouble, of course, with a gasket made of the right combination of cork and rubber. It stops liquids and gases as well as a gasket made from the rubber alone. Under pressure, however, it merely squeezes down; it won't flow enough to skid out of position. On the other hand, an engineer may want some sideways flow, to fill in around the threads of a bolt, for instance. Again, the right combination of cork and rubber will do the job.

If you manufacture products that use gaskets, perhaps one of the many cork-and-rubber materials pioneered by Armstrong can help you solve a sealing problem. While you're thinking about gaskets, remember, too, that cork-and-rubber is only one part of the Armstrong line of resilient materials. Others include cork composition, synthetic rubber, and Accopac® fiber sheet packing. For information and technical literature, write Armstrong Cork Company, Industrial Division, 8209 Dunlap Road, Lancaster, Pa.

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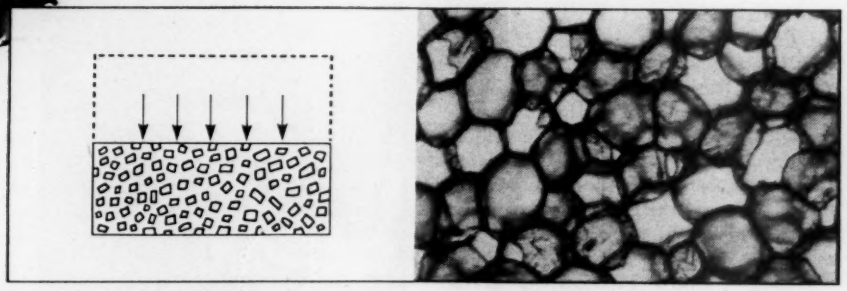
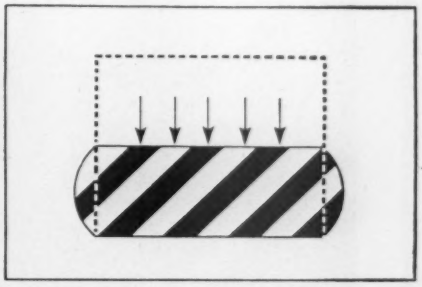


Cork, on the other hand, is a pneumatic or compressible substance. An inch-high block compressed to one-half inch reduces in volume by one half. The secret lies in cork's unique 14-sided cells—called tetrakaidecahedrons. Photomicrograph of cork slice shows how cells are made up of thin skins enclosing microscopic bits of air. Under pressure, this air is compressed, and the cells actually become smaller.



A block of cork-and-rubber under pressure both compresses and flows. By changing the ratio of cork to rubber, it can be made more cork-like or more rubber-like in its compressibility-flow properties.

PEOPLE ★ ★ ★

OF THE WEEK

› ARGENTINE GENERAL named as provisional President in the uprising that overthrew President Juan D. Perón is a dedicated soldier, a devout Roman Catholic. **Maj. Gen. Eduardo Lonardi,** after being forced out of the Army in 1951, waited and plotted for four years to rid Argentina of the Perón regime.

The new Argentine leader, 59, first tangled with General Perón in the mid-'30s, when both were lieutenant colonels. An attempt by Perón to obtain certain Chilean defense secrets backfired. General Lonardi, then military attaché in Chile, was expelled. Friends say he never forgave General Perón.

Despite this animosity, General Lonardi rose rapidly in the Army after Perón came to power. He was sent to Washington in 1947 as Argentine representative on the Inter-American Defense Board, stayed nine months, acquired a halting knowledge of English. His fall from grace came after he denounced a movement to elevate the late Eva Perón to the Vice Presidency. Jailed for a few months as a rebel ringleader, he turned to selling insurance after his release.

(For details on what is happening in Argentina, see page 38.)

› SENATOR GEORGE W. MALONE can be expected to have a lot to say on the subject of Russia when he returns from a month-long visit to the country he once branded, in a Senate speech, an "outlaw" nation.

The Nevada Republican set off for the Ural Mountains area last week after exchanging toasts to "peaceful coexistence" with Soviet leaders in Moscow. In letters home, the Senator wrote that any showdown between the Reds and this country is probably in the far-distant future.

Senator Malone, who traveled through the Soviet satellite states of Eastern Europe and through Yugoslavia on his way to Moscow, complained that U. S. information programs have been antagonizing people in the Iron Curtain countries and the free West alike; said, "You get yourself hated by talking too much."

The Senator is 65, has been in the Senate since 1946. He once said free world trade was like "importing unemployment" to the U. S., has opposed the Marshall Plan and other European and Asian assistance programs. He heads an engineering firm, is regarded as an expert on industrial engineering, power projects, flood control, utilities.

› NEW PRESIDENT of the U. N. General Assembly brings to his international office a reputation as a skillful mediator based on 34 years' experience as a diplomat and legislator.

José Maza, a former Premier of Chile, got off to an encouraging start with his election by an unprecedented unanimous vote to lead the Assembly's tenth session. He promised to "try to guide matters so that diplomacy, in the open or in secret, is some contribution to the cause of peace."

The Chilean, a rugged 6-footer, will be 66 next month. He was born on a farm, became a teacher and lawyer, was elected a Deputy to the National Assembly in 1921. He has headed the Ministries of Justice, Education and Interior; served in the Senate for 18 years. He also has been Chile's Ambassador to Uruguay, Brazil, Haiti and Peru.

Mr. Maza was one of the founders of the United Nations, having attended the organization conference in San Francisco in 1945 and signed the Charter. He speaks Spanish and French, but only a few words of English. One of the authors of Chile's new constitution, he drafted much of the legislation that guarantees women's political rights.

› SILENT MAN in the middle of the uproar in Britain over the handling of internal security is **Richard White,** director of MI-5—closest counterpart in that country of America's FBI.

Little known outside of high Government circles, the top man in MI-5 was a colonel in Britain's Military Intelligence Service when he received his present assignment in September, 1953, two years

(Continued on page 18)

A SOVIET GESTURE MAKES FINNS HAPPY

—Wide World

PRESIDENT PAASIKIVI

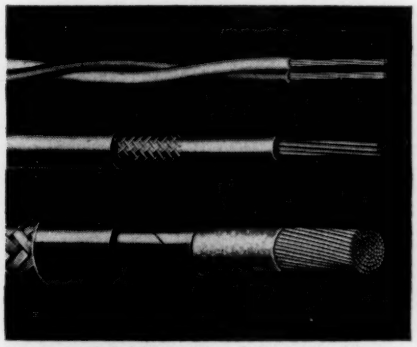
› FINLAND'S PRESIDENT came home to Helsinki from Moscow bearing a Soviet "gift"—return of the Porkkala naval base. Happily, **Juho K. Paasikivi** said this was the first time in 11 years of dealing with the Reds that he came away "fully satisfied."

Porkkala, on the Baltic Sea 12 miles west of Helsinki, was grabbed by the Russians from Finland at the end of World War II. Now, with new Soviet bases rimming the Baltic from East Germany to Leningrad, and long-range jet bombers available to patrol the Scandinavian area, Porkkala has lost its importance.

Mr. Paasikivi, 84, has long been friendly toward Moscow, is given credit for the relatively mild peace terms Finland won from Russia.

WHERE THE BASE IS

Magic on the high seas



NE Special Cables, with a full range of insulations and protective coverings, help assure safe, positive operations in any type of installation.

Ships that pass in the night pass more safely now, thanks to the modern magic of radar. Ultra-short radio waves bounce back and forth between each ship—etching their exact locations in "pips" of light on the radar screens.

But the wonders of radar—as well as shipboard power and light—depend on another form of modern magic . . . electricity. Its vital current must pass safely through a maze of wires, cables and conduits—the pathways of electrical power.

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CONTINUED

after the agency failed to block the flight of Soviet spies Donald Maclean and Guy Burgess. Nothing is ever published about him in the British press, and whether he has been elevated in rank has not been disclosed.

The British security chief shuns photographers, clings to anonymity, is seldom recognized around the Foreign Office, Home Office or Scotland Yard. The size and budget of MI-5 are secrets.

A mild-mannered former instructor at Cambridge University, Mr. White got part of his education in the U. S., studied at the Universities of California and Michigan.

During World War II, the security head served as a counterintelligence officer on the staff of Gen. Dwight D. Eisenhower; became well known to Allen W. Dulles, now Director of the U. S. Central Intelligence Agency.

› **ROBERT M. HUTCHINS,** president of the Fund for the Republic, last week was involved in a wrangle over the spending of money held by tax-free foundations. He defended the Fund, set up by the Ford Foundation with a grant of 15 million dollars, against an American Legion charge that it spreads propaganda minimizing the dangers of Communism.

The Brooklyn-born educator is no stranger to controversy; it has accompanied him most of his adult life. In 22 years as president and chancellor of the University of Chicago—beginning when he was only 30—Mr. Hutchins sponsored many provocative changes in teaching procedure. He banned football, said: "Football, fraternities and fun were designed to make a college education palatable for those who shouldn't be there."

When the first atom bombs fell on Japan near the end of World War II, Mr. Hutchins said: "We cannot have war and civilization." He formed a committee to draft a constitution to serve as a basis for world government. In 1947, he headed a committee of educators and others that reported after a three-year study that America's freedom of the press was in danger. He quit the University in 1951 to join the Ford Foundation, left that group last year for the Fund.

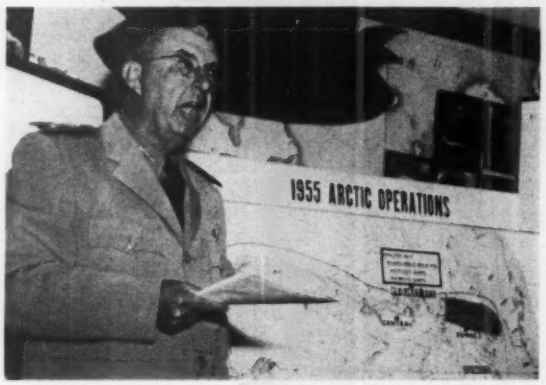
› **TREASURY GUARDIAN,** who balked Air Force plans to lease a defense-communications network to be built and operated by private companies, is Comptroller General **Joseph Campbell.** He ruled that specific authority for the contract must come from Congress.

Mr. Campbell, a 55-year-old accountant, was hand-picked by President Eisenhower to run the General Acounting Office, which audits public accounts for Congress. Confirmed by the Senate over some Democratic opposition, he demonstrated almost at once that he was not subservient to the White House.

Although Mr. Campbell, while a member of the Atomic Energy Commission, had approved the controversial Dixon-Yates power contract, as Comptroller General he criticized some phases of the now-rescinded project. He also found fault with a highway program submitted to Congress by the President, questioned its legality.

Mr. Campbell met the President when both were officials of Columbia University—Mr. Eisenhower as president and Mr. Campbell as treasurer.

EARLY EXPLORERS' DREAM COMES TRUE



› **ARCTIC SAILOR** who won a victory over ice, fog, cold reports "mission completed." **Vice Adm. F. C. Denebrink,** left, delivered mountains of supplies hauled in 126 ships to the frozen North on a three-month expedition.

For the first time in history, the Northwest Passage between Atlantic and Pacific oceans—sought for centuries by explorers—became an operating waterway. The supplies will be used to build a radar defense screen, jointly controlled by the U. S. and Canada, across the roof of the world.

Admiral Denebrink, Commander of the Military Sea Transportation Service, is 59. As skipper of the cruiser U.S.S. *Brooklyn* during World War II, he directed the rescue of 1,500 survivors of the burning transport U.S.S. *Wakefield.*

—Harris & Ewing, Dept. of Defense

He used to face Christmas with bats in his attic
'Cause stocks were uncertain and shipments erratic

But now he's clear-headed, he's learned how to say
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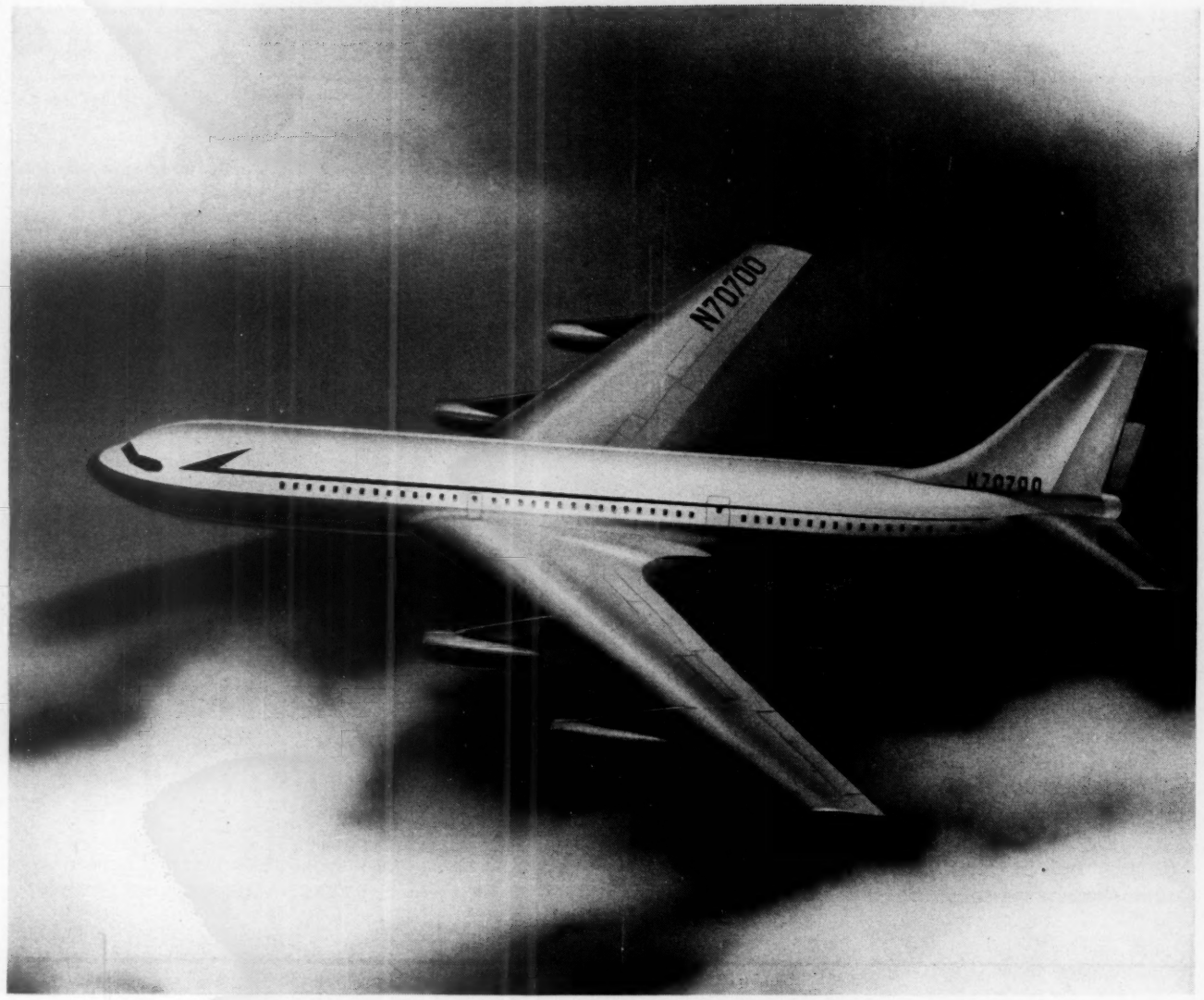

Here is America's first commercial jet airliner

Above is the Boeing Jet Stratoliner 707 as it will look when it takes to the air. Its prototype—America's first jet transport—has been flying for more than a year. It has completed more than 200 hours of flight test—has repeatedly flown well above 40,000 feet and at speeds above 600 miles per hour.

Boeing has indicated to the commercial airlines that it could deliver jet transports so that flight operations could start early in 1959. Such early delivery is possible because Boeing has the prototype flying now—is already building a military jet tanker-transport generally similar to the 707 Stratoliner—and has accumulated vast experience in producing well over 1,000 B-47 and B-52 multi-jet bombers.

The 707 Stratoliner—a sleek, four-jet swept-wing beauty—will cruise in the 550-mile-per-hour range. It will make possible transcontinental flights in less than five hours; transatlantic in less than seven hours!

Incorporated in the Stratoliner are Boeing's specialized knowledge gained in 20 years of building multi-engine pressurized aircraft, and the full 39 years of the company's experience in the aircraft business.

It is typical of Boeing leadership that the company has designed and built America's first jet transport.

It was this leadership which gave commercial aviation the twin-engine 247, the 314 flying boat, the original pressurized transport Stratoliner 307, and the Stratocruiser; and gave the military the B-17 Flying Fortress, the B-29, the six-jet B-47 and the eight-jet B-52.

BOEING

HOW TWO SPIES COST U.S. A WAR

Word to Red China: Invade Korea, Homeland Will Be Safe

This now can be told from strongly backed evidence—

British diplomats Burgess and Maclean aided the Chinese invasion of Korea.

Word from these spies told Communists that U. S. would not hit back at China, beyond the Yalu, if attacked.

War, already won by U. S., turned to temporary defeat, then bloody stalemate. More than 100,000 American youths became casualties after Chinese came in.

The missing link in the story of treachery, long suspected by American commanders, is told in this article.

Reported from
WASHINGTON and LONDON

Two master spies, British diplomats Donald Maclean and Guy Burgess, are credited with costing the U. S. the war in Korea.

It was these two men, now admitted by the British Foreign Office to have been long-term Soviet agents, who helped to trigger the invasion by armies of Communist China at the moment of defeat for Soviet-armed North Koreans.

At that crucial moment, when Communist leaders in Peiping either had to write off Korea or enter the fight, these leaders needed one vital piece of intelligence: If China threw its armies into the war, would the United States use its full military power to strike back? Or would the U. S. accept the chance of defeat by fighting solely within the narrow bounds of Korea?

Communist rulers of China got set for the big decision. Battle-tested field armies were concentrated just across the Yalu River from Korea. Here were nearly 1 million of Red China's best soldiers, the best of her equipment.

U. S. power: ready. In American hands lay the kind of strategic sea and air power that had strangled Japan and devastated Germany. Here was power to isolate China's armies and to destroy their sources of supply, to lay waste Chinese industry, to rip up roads, railroads, bridges, airfields and supply dumps, and to tighten an iron blockade on the Chinese coast. Here, also, reposed au-

WHERE BURGESS AND MACLEAN STOLE SECRETS

The British Embassy, Washington — The Foreign Office, London

Photos: Combine, Harris & Ewing, Keystone, Wide World

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What American Commanders Said On "Information to the Enemy"

GEN. JAMES A. VAN FLEET, *Commander, U. S. Eighth Army, Korea, April, 1951, to February, 1953—*

Q: Do you believe that the Chinese Communists would have crossed the Yalu [River] without assurance that our military action would be limited?

General Van Fleet: No; he [the enemy] would not have entered Korea if he did not feel safe from attack in North China and Manchuria.

* * *

My own conviction is that there must have been information to the enemy that we would not attack his home bases.

—Testimony before Senate Internal Security Subcommittee, Sept. 29, 1954

GEN. DOUGLAS MacARTHUR, *Commander, all United Nations Forces, Korea, June, 1950, to April, 1951—*

. . . By one process or another it was conjectured by, or conveyed to, the Red Chinese that even though they entered the fray in large force it would be under the sanctuary of being relieved from any destructive action of our military forces within their own area.

—Letter to Senator Harry F. Byrd (Dem.), of Virginia, April 19, 1953

LIEUT. GEN. EDWARD M. ALMOND, *Commander, X Corps, U. S. Army, Korea, September, 1950, to July, 1951—*

. . . The things as they happened looked very strange insofar as the assurance with which the enemy appeared to operate. I think it would have been a very hazardous thing for the Chinese to enter North Korea in the abundant numbers in which they did if they had thought their bases of rice or ammunition or any other base would be subject to attack.

—Testimony before Senate Internal Security Subcommittee, Nov. 23, 1954

thority to loose Nationalist Chinese forces on Formosa for an invasion of the mainland.

Communist armies dared to move into Korea only if assured beyond real doubt that the U. S. would not strike back hard.

High political and diplomatic officials only could know what would be the decision in event of full-scale Chinese invasion. This was intelligence that could be discovered for an enemy only by people at the heart of the diplomatic machinery in Britain and the U. S.

Private cables on high decisions were flowing into the Foreign Office in London.

There, in charge of the American Desk in the British Foreign Office, sat Donald Maclean. He had stepped into this responsible post on Nov. 6, 1950, just 18 days before the Chinese armies attacked. Papers containing "exceptionally secret" information passed through his hands, the Foreign Office admitted on Sept. 18, 1955.

Maclean, a career diplomat since 1935, had been away from work for six months, on medical leave. He needed to bring himself up to date. In the files were fateful decisions.

At the British Embassy in Washington, Guy Burgess was Second Secretary during nine months that were critical in Korea, from August, 1950, to early May, 1951. Burgess was one of the echelon who learned all that was going on.

The British knew everything. Although their forces in Korea were small compared to those of the U. S., the British had a full voice in deciding policy for nations fighting under the United Nations banner. All the most secret information flowed through the Embassy in Washington and into the Foreign Office in London. Constant British pressure was exerted upon the U. S. to limit the war. Policies resulting from those pressures were secrets that the Chinese needed.

Maclean and Burgess were in spots to learn those secrets.

Victory—almost. Over in Korea, in early November, 1950, the war was almost over. After the landing at Inchon in mid-September, encircling hundreds of thousands of North Koreans who had invaded on June 25, U. S. troops had led a speedy advance through North Korea. By November, some U. S. troops were on the banks of the Yalu.

With the five-month war wrapped up, the U. S. had a superb, battle-tested army in the field. Fleets of big bombers were operating from Japan. Jet fighters had been tested in combat. Part of the Seventh Fleet was being sent home. From Washington came an inquiry whether Gen. Douglas MacArthur, Allied commander in the Far East, could spare troops to protect Europe. The General replied that he could soon spare a divi-

sion. There was talk of "getting the boys home by Christmas."

In late October and early November, a few Chinese began to turn up among captured Communist troops. It was established that small units of Chinese troops were operating in North Korea. The Communist radio was talking about units of "volunteers" helping the North Koreans.

General MacArthur's own estimate was that, with the power at his command, "no Chinese military commander would dare hazard the commitment of large forces upon the Korean peninsula." MacArthur's reason: "The risk of their utter destruction through lack of supply would be too great."

Now was the time when the Chinese Communists needed to know whether attack would be safe. They got the answers. How they got them is something that, until last week, has mystified U. S. generals who then were serving in Korea.

Restrictions ordered. Key decisions had just been made by top Allied policy makers, and sent to General MacArthur as secret instructions.

On Sept. 26, 1950, General MacArthur was directed to use his air forces only on tactical attacks. Strategic bombing of supplies was out.

The next day, on Sept. 27, 1950, the decision was sent to General MacArthur that his forces—airplanes as well as troops—"would not cross the Soviet or Manchurian borders under any circumstances."

When Maclean, as a respected British diplomat, took over the American section in the British Foreign Office early in November, the big secrets that the Chinese Communists needed to know about were in Foreign Office files.

The Foreign Office now reveals that Maclean filched documents, smuggled them out for Communist agents to photograph, and returned them. At the time of the Korean war, he was an old hand at this procedure, had been doing it for years.

Burgess, in Washington, was privy to the same secrets. He, too, was dealing with the Communists.

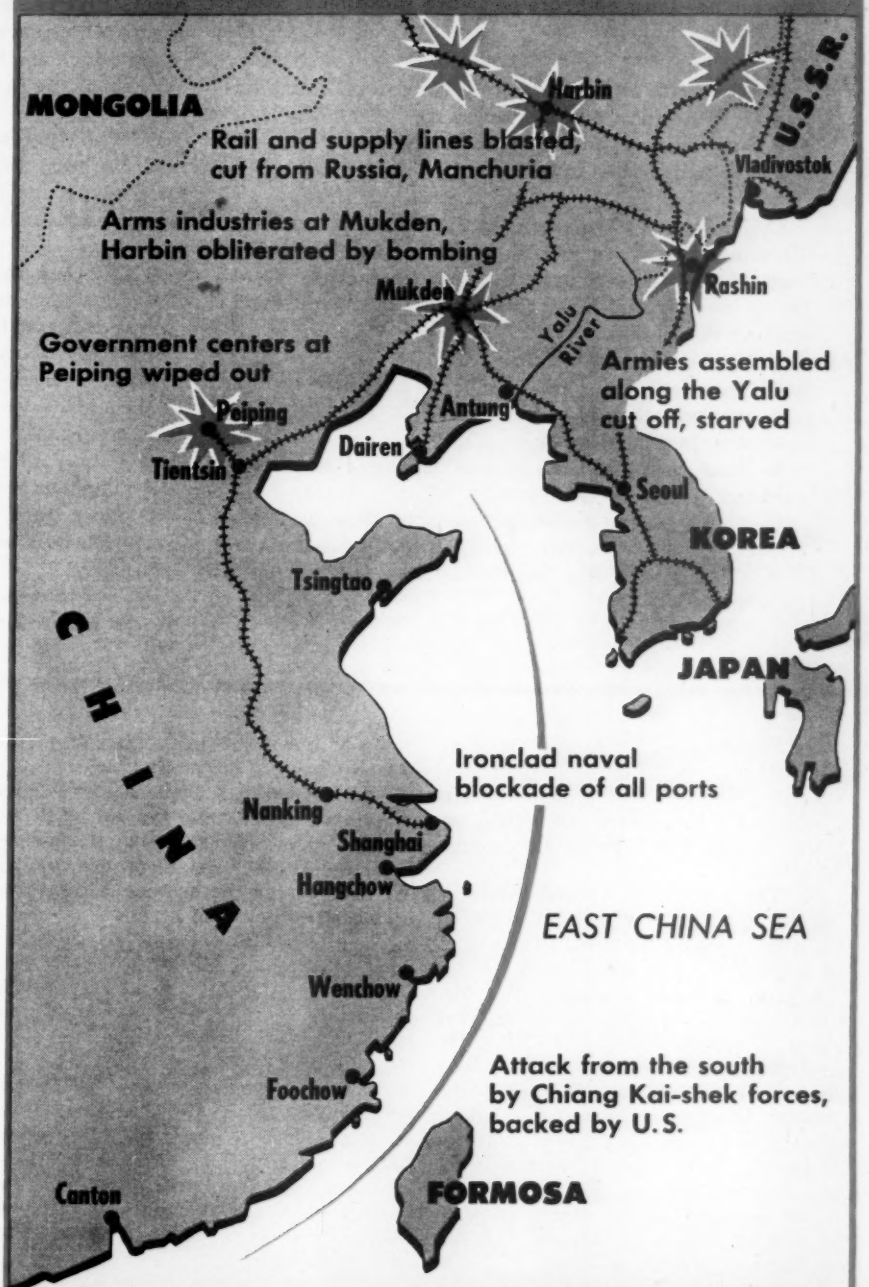
Based on known facts as to the way Communist intelligence operates, the strong evidence is that separate findings by the two men confirmed that there was no mistake about the big decision.

On Nov. 24, 1950, the Chinese attacked in massive force. Allied lines buckled. Battle-hardened U. S. veterans were thrown back.

U. S. public opinion hardened. Pressure built up for counterattack on the Chinese. U. S. troops continued to be pushed back. In Washington and in other parts of the country there was talk about using the atom bomb on military targets in Manchuria.

(Continued on page 24)

Here's What Red China Could Have Expected From War With U.S.



SPIES **carried the word to Communists that U. S. had yielded to British pressure to avoid attacks above the Yalu regardless of provocation.**

Red China, guaranteed against harm, entered the war, fought U. S. and U. N. to a stalemate.

● 1955, By U.S. News Pub. Corp.

British Government Now Admits This About Spies—

These are key answers in the case of the British diplomatic spies, from the official transcript of a conference between newsmen and Foreign Office spokesmen, Sept. 18, 1955:

Q Have you any comment on the assertion in *The People* [a London Sunday newspaper] that Maclean and Burgess were long-term Soviet agents?

A We believe this to be true.

° ° °

Q There was a statement in the Petrov article [by Vladimir Petrov, former agent for Soviet secret police] that Maclean and Burgess knew they were being investigated and reported this to their Soviet contact in London.

A We believe this to be correct.

Q Was their flight arranged from Moscow?

A We believe this to be correct.

Q Are they in Moscow?

A That may be correct, but we have no direct evidence.

Q Petrov stated in his article that they were recruited as Soviet agents in their Cambridge days.

A That is what Mr. Petrov has said. We believe it to be true.

° ° °

Q When did suspicion first fall on Maclean?

A Definite suspicion had fallen on Maclean by April, 1951. After April, 1951, steps were taken to ensure that exceptionally secret material did not reach Maclean. He was not removed from his post, because of the necessity for continuing the investigation.

Q Was Burgess also under investigation?

A Burgess was not directly under investigation for security and loyalty, but his general conduct had been unsatisfactory and he had been suspended.

° ° °

Q Did they pass documents to the Soviet Embassy?

A On the assumption of Petrov's evidence, the presumption must be that documents were passed. We cannot say. Documents were not passed in the sense that they were given over and not returned. The documents were taken over and photographed and then returned.

Q Petrov refers to a Soviet contact. Is he still here?

A The contact is not still here.

Q Does the Foreign Office know the details of the route Burgess and Maclean took when leaving this country?

A Not in detail. We believe the route led through the Iron Curtain, perhaps through Czechoslovakia.

This caused alarm in London. The British Government still wanted to fight only in North Korea, opposed strongly the use of blockade or any attack on the war industries and supply lines of Communist China.

On Dec. 4, 1950, Prime Minister Clement R. Attlee flew to Washington to talk with President Truman. In this talk, the original deal was nailed down.

A plan, a veto. A month after Mr. Attlee's visit, General MacArthur still was urging attacks on Communist China. He submitted a plan calling for bombing China and Manchuria, blockading the Chinese Coast, reinforcing the troops fighting the Communist Chinese in Korea. On Jan. 9, 1951, General MacArthur got his answer—another no.

This decision, like the others, came to the Foreign Office in London. Maclean was there, in position to know.

Communists in China got the facts. This became apparent quickly to the American commanders on the scene. The Chinese were so sure of themselves that they did not bother even to black out the rail and highway bridges over the Yalu at night. Supplies kept pouring in from Manchuria.

American forces, close to victory a short time before, now were pushed back. Communists, reinforced from safe bases, drove halfway down the peninsula before the Americans were able to hold.

The cost to U. S. Stalemate set in. For the first time since the War of 1812, the United States failed to win a clear victory in a war. When the cease-fire was signed, 37 months after the fighting began, Communists still held half of Korea.

That is only part of the story of what a leaked secret cost this country.

If the war had ended in late 1950, after the North Koreans were defeated, the United States would have come out of it all with 31,000 casualties, including 5,300 dead. As it was, with another war to fight against the Chinese Communists, U. S. casualties mounted to 142,000, with 33,600 dead.

In money, the Korean war cost the American people at least 15 billion dollars. The great bulk of that cost was incurred in fighting the Red Chinese.

BRITISH EXPLANATION. *Full text of the White Paper on Burgess and Maclean—page 76.*

RUSSIAN SPY'S STORY. *Former Soviet agent Petrov tells of work against the West—page 114.*

A mystery unfolds. American military men, mystified all this time, are piecing the story together now.

The lines of that story lead to Maclean in the Foreign Office, to Burgess in the Embassy in Washington.

These two, late in 1950 as for years past, were stealing secrets, passing them to the Communists. The most vital secret of the era was what U. S. intended to do if Communist China came into the Korean war. The Chinese had to have the answer to that question.

Burgess and Maclean were in position to know the answer, to pass that answer on to their Communist masters. To military men, this is the missing link in the story.

Some of these men now think Maclean and Burgess may have been serving the Communists as more than spies. One of the U. S. military staff that participated in the armistice negotiations in Korea told *U. S. News & World Report:*

"The fact that Maclean was head of the American Desk in the British Foreign Office, and Burgess held down a responsible position in the British Embassy in Washington during the Korean trouble, may well be at the bottom of some of those queer and spineless policy decisions that emanated from Washington at the time."

YOUR DOLLAR: SLIPPING A LITTLE

But No Big Change Is in Prospect

Prices are edging up again. Yet, by all precedent, it's time for a decline.

Prices fell sharply after U. S. wars—until World War II came along. Since then, they have refused to follow the historic pattern.

Behind the mystery of the missing price decline: new policies on credit, wages, other things that govern dollar value.

The dollar once more is shrinking a bit in value. Housewives notice that their dollars will not stretch quite so far. Businessmen must pay out more dollars for labor and for many of the materials they buy. Any individual interested in a new car or a new home or appliances often finds that he has to pay a few dollars more to get what he wants.

This shrinkage in the dollar—reflected by a rise in prices—is going on 10 years after the end of a world war and two years after end of the war in Korea.

Price rises after these recent wars fly in the face of history. From the Revolutionary War of 1775 through all the major wars up to World War II, prices rose sharply while fighting was under way, then took a nose dive after peace was established. Rates of pay, as well as prices of goods, plummeted.

You get from the Pictogram on pages 26 and 27 the story of prices and what happened to them through the nation's history. This is the story at the wholesale level. There is no comparable record for retail prices, but, in general, they tend to reflect the trend in wholesale prices.

Value of the dollar, you will find from this study, has declined rather sharply in all big wars. Price inflation has been a feature of each of them, produced in large part by money inflation. But, in times past, deflation took over after the fighting stopped. Often there were prolonged periods of deflation when prices slipped year after year.

Since the last two wars, however, the trend has been different.

Removal of wartime controls after World War II was a signal for a sharp jump in prices. That resembled the experience after World War I. But there the resemblance stops. The price rise that followed World War I led to the drastic decline of 1920-21. Before that drop was over, prices had fallen 45 per cent and the dollar had regained much of its value. Nothing like that has happened after World War II or after the Korean war.

The reason is that there are powerful pressures in the country that are on the side of a cheap dollar rather than one that might gain in value. The inflation of World War II and Korea brought the dollar's value down from 100 cents in 1939 to 52 cents today. The aim now is to keep the 52-cent dollar from shifting much in value, either up or down.

Labor unions, for example, have shown that they have the power to get higher and higher wages. After past wars, wages fell along with prices. But, soon after the end of World War II, workers were getting as much for a 40-hour week as they got for 48 hours in wartime. Since then there has been round after round of wage increases.

The result is a double-barreled pressure to keep prices up and the value of the dollar down. When an employer grants a wage raise, his costs increase and he will take every opportunity to raise his price. You have seen this result in recent price hikes for steel and many other things. Rising wages also give workers more money to spend. Steadily fattening pay envelopes give people the idea that they can buy more things they want—automobiles, refrigerators, radios, television sets. This trend, too, supports prices.

IN THE STORES . . .
. . . the outlook is for fairly stable prices

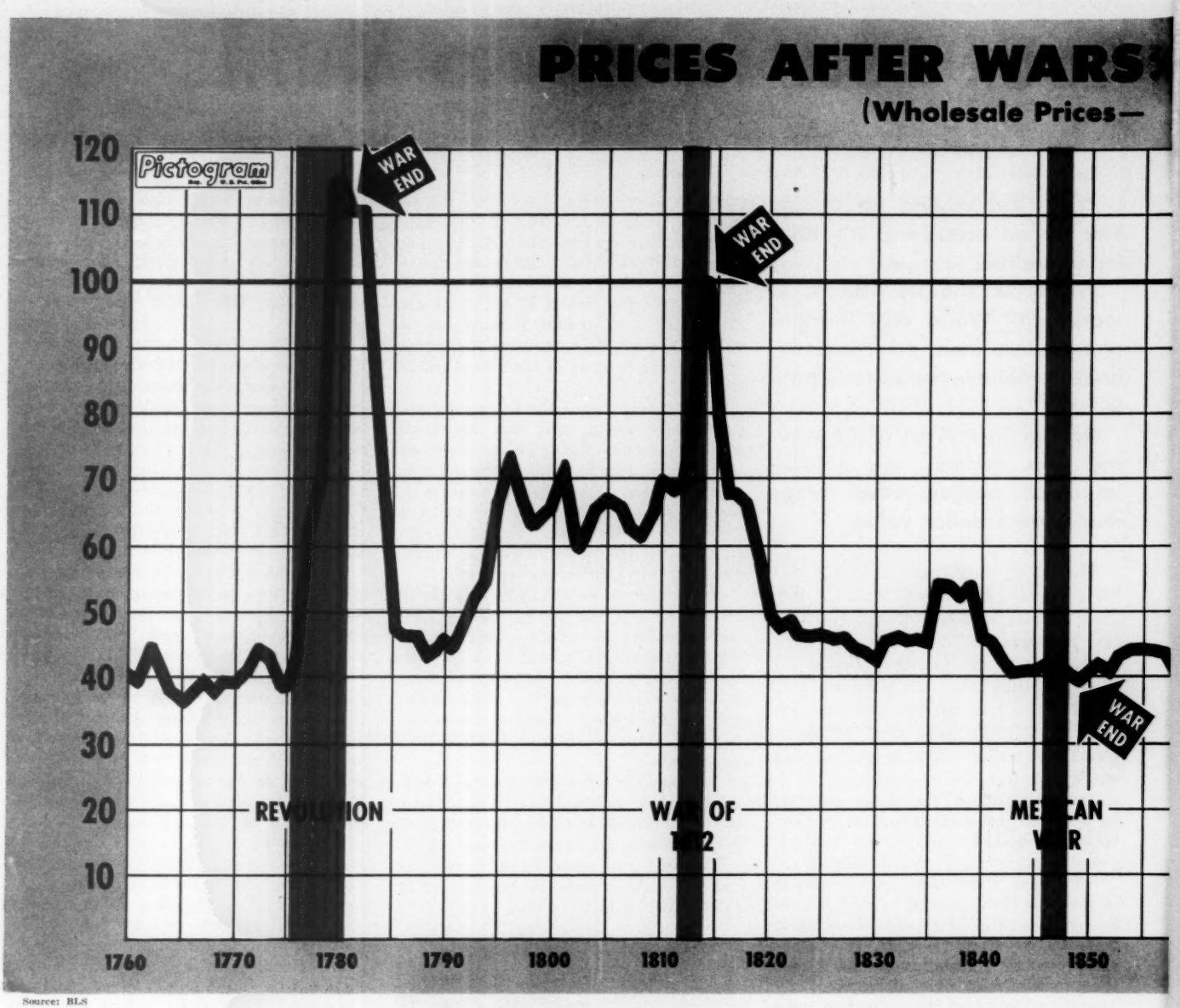
In addition, Government policies make it easy for people to borrow money to buy still more things. The prolonged postwar housing boom stems in large part from the easy mortgage terms that the Government sponsors. Houses can be bought or built for low down payments, low rates of interest and a long time to pay. The Government guarantees mortgages on these terms. This encourages lenders to lend and borrowers to borrow.

Installment buying—a means of borrowing money to buy automobiles, furniture, appliances and countless other things—is another trend that was not present after earlier wars. Down payments are small and buyers are given fairly long periods to pay off the balance. This discourages saving. Instead of saving money to get desired goods, people blithely borrow what they want and pay out of future income. This again tends to discount the value of money and to put an upward pressure on prices.

Furthermore, when prices threaten to fall, Government often steps in to support them. This is particularly important to farmers. The shrunken dollar has bypassed the farmer. He gets less for his product than he got during and immediately after the war. But the price collapse that has hit farmers in the past has been prevented this time by Government supports, in spite of huge surpluses. Government also has stockpiled other materials —copper, aluminum, lead—when prices weakened.

The whole aim of Government policy, in fact, is to keep prices from falling sharply; in other words, to keep the dollar from gaining much in value. High employment and active business sometimes are put ahead of "sound money" in the present scheme of values.

The Government has a whole arsenal of weapons to try to keep prices from falling to such an extent that business activity will suffer. There are old-age pensions for the retired. There is relief for the needy. There is unemployment insurance for the jobless. There are aids for the farmer. There are loans to business firms. Then there is a Council of Economic Advisers to the President,



Source: BLS

directed to recommend moves that will keep business prosperous and most people at work.

Another difference between the situation today and those that followed past wars is that there has been no return to actual peacetime conditions.

In other peacetime periods, the Government cut spending drastically after the fighting stopped. After World War II, however, spending was held relatively high because of the foreign-aid program. Then came the Korean war and a jump in the outlay for arms. After that war, although arms spending has been trimmed, defense costs continue to be large. The prospect is that the Government will have to continue to spend from 30 billions to 35 billions a year for military purposes for many years.

Other demands also tend to keep Government spending high. The Federal Government is committed to a substantial public-works program and is about to expand its highway projects. States and cities are engaged in large-scale projects to build schools, sewer and water systems, hospitals, roads and recreation centers. All these programs add tremendously to demand and tend to keep prices from falling.

Big expansion programs by business are adding to this demand. Established industries, such as steel, autos, and chemicals, are increasing their capacity. Then there are fast-growing new industries, including electronics, antibiotics for the treatment of disease, television, air-conditioning, detergents, synthetic fibers, and new home appliances such as automatic clothes dryers and dishwashers.

Just beginning is atomic-energy development for peacetime uses—an industry that is expected eventually to chalk up one of the greatest advances of the century.

All these developments—heavy spending and heavy borrowing by consumers, business expansion, large public spending—work to prevent the kind of price declines that followed most wars of the past, as the chart shows.

The trend actually is going in the other direction. The dollar has shown almost no tendency to increase in value. The dollar declined in terms of what it would buy from the end of World War II through 1948. In 1949, prices dipped a bit when there was a moderate business

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downturn, but the dollar still was worth only 58 cents in terms of 1939 values. Then came the Korean war. That touched off another wave of inflation that shaved an additional 6 cents off the dollar's value, bringing the 52-cent dollar that prevails today.

At present, there are faint signs that the dollar's value may weaken again. Government officials are showing concern over the rise in mortgage debt, the increasing amounts owed on installment purchases, the rise in the price of common stocks. Steps are being taken to reduce the amount of money that banks have to loan, and companies that make mortgage loans are told not to borrow money themselves so that they can reloan on more mortgages.

These moves, however, are a far cry from actions taken after past wars to reduce the volume of debt and the supply of money. Postwar policies of the past—through World War I—were aimed at erasing the effects of wartime inflation by restoring "sound money."

After the Civil War, the Government followed a policy of calling in currency and using Treasury surpluses to retire debt. The chart shows what happened. Prices rose about 150 per cent during the war and then fell nearly 45 per cent. A similar policy was followed after World War I. Officials began to tighten credit rather severely. Prices again fell 45 per cent from their wartime peak.

You can be almost sure that no such moves are to be made in the present situation. Debt retirement, for example, is not considered likely on any large scale. The policy is to reduce taxes in preference to reducing Government debt. That has been done twice since World War II and is likely to occur again next year.

Officials also have demonstrated that they can be quick to reverse money policies when prices and business activity show signs of easing. That was done in mid-1953, when the boom of that period showed signs of playing out.

The official line now is that stability in prices and in the value of the dollar is to be preferred to either a gain or loss in the dollar's value. Policies, therefore, are to be geared toward keeping the dollar at close to the 52-cent value that has prevailed since 1952. The outlook is that your dollar may fluctuate a bit in value in the period ahead, but not much.

Who Gets Free Polio Shots

Most States Agree Needy Children Come First

States are moving to get their share of the fund set up by Congress to buy polio vaccine. That means more free Salk shots are coming.

It looks as if needy children will get first call on supplies. But some others are in line for free inoculations, too. You'll find latest details in this article.

More free Salk vaccine, 30 million dollars' worth, is about to start flowing out to the States. The money to pay for it is being put up by the Federal Government.

The question now raised is: Who will get these free shots?

As a practical matter, in most sections of the country the answer appears to boil down to: Those children whose parents cannot afford to pay.

In voting the money, Congress avoided ordering that financial need be a test of eligibility. However, the 30 millions is not enough to cover all children in the age groups most susceptible to polio. Unless States widen the program by their own contributions—as some are doing—the plans they now are submitting to the U. S. Public Health Service indicate that needy children will get first call on free vaccine.

This federal program is in addition to the one of free shots started last spring by the National Foundation for Infantile Paralysis. The Foundation aims at free shots for 9 million school children, regardless of family income, who were in the first and second grades last year.

How State plans work. The trend of the State proposals is toward distribution of the free federal vaccine along much the same channels used to provide inoculations against other diseases. A survey of State plans shows:

- Children from low-income families will get their shots at public clinics. There will be no charge for these inoculations.
- In some States, where legislatures have voted special funds to supplement federal appropriations, nearly all children 5 to 9 years old, regardless of income status, will get free shots.
- In others, vaccine will be supplied to doctors free. Patients will pay only the doctors' fees for administering the vaccine.
- In still others, most patients will pay both for the vaccine and the shot.

U. S. Public Health Service officials have just approved the first group of State distribution plans and now are clearing others. As soon as its plan is O.K.'d, a State starts receiving, in monthly installments, its share of the national 30-million-dollar grant. It can use the money to buy its proportionate share of each new batch of vaccine released.

Accord on control. Participating States are drawing their own plans, and, although these vary on details, almost unanimous agreement is emerging on key factors. Take, for example, the question of control: How are authorities to make sure that only children in the top-priority 5-9 group receive vaccine?

Nearly all States whose plans have been approved are meeting this by a triple-check system. Doctors, pharmacists and supply houses must file detailed records showing where each shot goes.

In practice, most States will require druggists to report weekly on vaccine sales. Doctors must file a report on each shot given. Wholesalers will list their sales, area by area, so State officials can be sure each county is receiving a fair share. Usually, where one county runs ahead of its needs, its allotment will be cut back until its neighbors catch up.

Doctors suspected of ignoring the priorities face disciplinary action, in most States. Under one pattern, for example, the State health officer will call on the physician and "explain" why priorities should be followed. If this fails, the offender will be called before the State Advisory Committee for its recommendations.

Difference in allotments. The initial division of vaccine between commercial channels—physicians and druggists, principally—and clinics differs State by State. South Dakota plans to distribute 90 per cent of its first supplies through private doctors, 10 per cent through public agencies; Texas, 17 per cent to public facilities, 83 to commercial channels. Under a Maryland proposal, 30 per cent will go to public-health officials and the remainder to commercial channels. Maryland set up its allocation on the basis of the State's past experience with inoculation programs, in which it found that 70 per cent of the residents preferred to use the services of their own physicians rather than public clinics.

Throughout, States are sticking to the National Advisory Committee's suggestion that children in the 5-9 age group be given top priority. A handful also are including pregnant women in the highest bracket.

Under the voluntary setup, each State has the theoretical right to determine its own priorities, but widening the eligible group will not win more vaccine. The State's quota remains constant no matter how many it places in its top listing.

The Surgeon General of the Public Health Service has power to lay down a compulsory program of priorities if States stray too widely from recommendations.

The start—soon. Under the new federal-State program, free supplies are about ready to flow. When will your State receive its initial allotment? That depends on when its plan, if it files one, is approved, and when the next batch of vaccine is cleared. But the federal program appears ready to roll.

—Black Star

THE FIGHT AGAINST POLIO
. . . with 30 millions in federal aid

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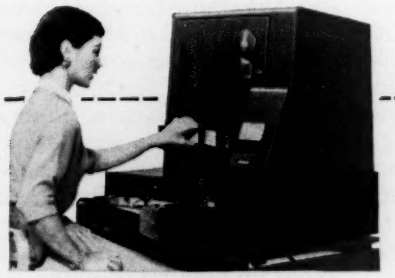

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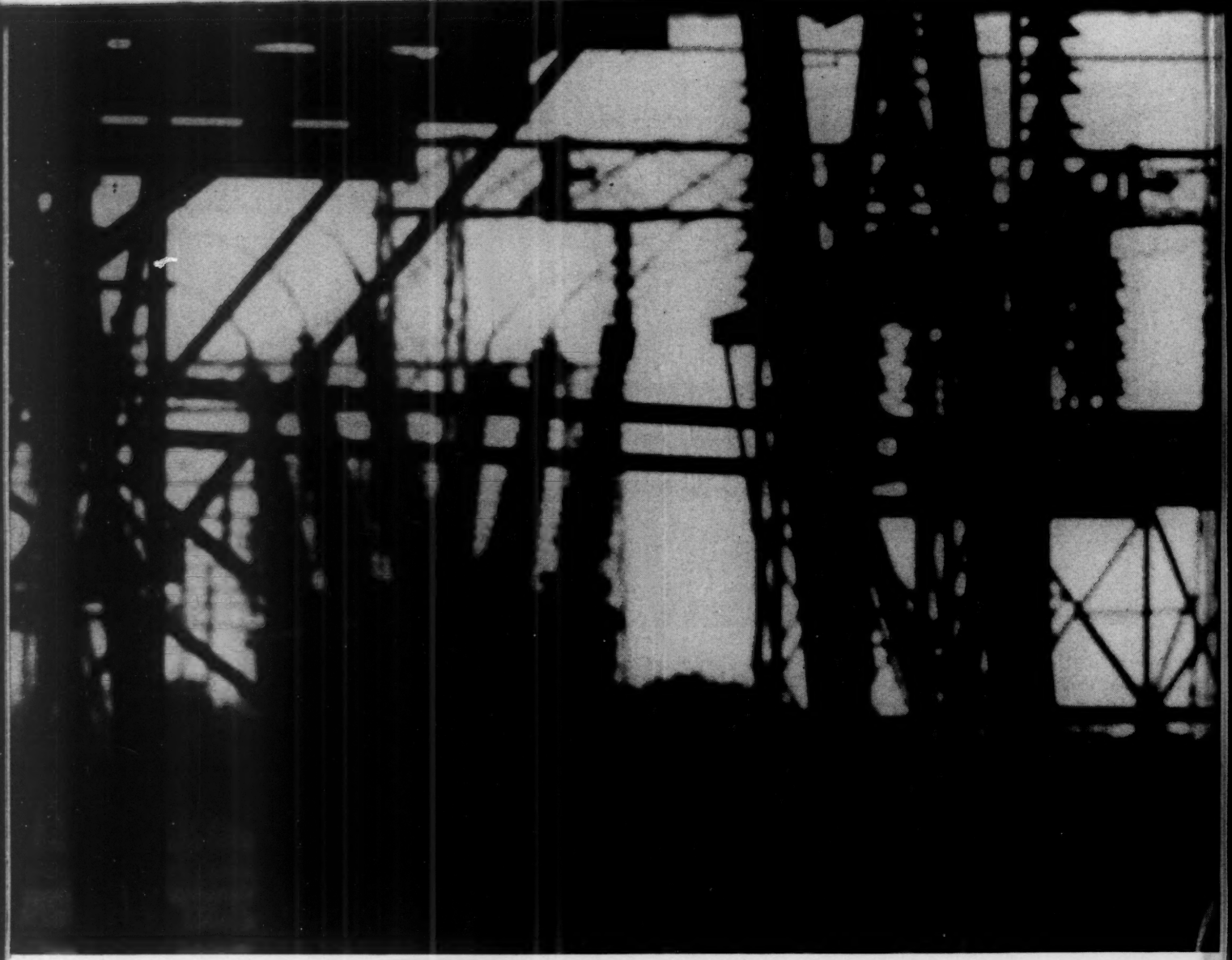


HISTORY-MAKING STRIDE toward a world of abundant power will be made when Pennsylvania Power & Light Company, in central eastern Pennsylvania, builds the first privately-financed electric generating station with an atomic reactor of the homogeneous type. It will be a full-

LIQUID ATOMIC FUEL TO BE

Westinghouse will build world's first full-scale "homogeneous" nuclear reactor for Pennsylvania Power & Light's new 150,000-kw power station

The greatest promise for peacetime use of atomic energy is in the generation of electric power, and Westinghouse is exploring this field in many directions. It is already building the pressurized water reactor for the first full-scale peacetime atomic power plant in the United States . . . for the AEC, to be operated by the Duquesne Light Company at Shippingport, Pa. Now, Westinghouse and the Pennsylvania Power & Light Company are embarked on the development of a completely different kind of atomic reactor. It is planned for service in 1962, on the basis that such a plant will be commercially competitive with generating stations using conventional fuel.

It will be a reactor of the homogeneous type, which means that a solution of uranium salts circulates through the reactor where heat is generated. The heat is converted to steam which drives a turbine. And this new reactor actually keeps on making as much atomic fuel as it needs to operate! Many authorities, including the Joint Congressional Committee on Atomic Power, expect such reactors to produce atomic electricity that

scale station using, for the first time, nuclear fuel in a liquid form. Pictured at PP&L's Hosensack Substation are Charles E. Oakes (left), president of the utility, and Gwilym A. Price, president of Westinghouse, who have signed agreements for the plant's development.

USED IN NEW POWER PLANT

is commercially competitive with power from conventional fuels.

Pennsylvania Power & Light Company, which serves over a half-million customers spread over 10,000 square miles of central eastern Pennsylvania, will own and operate the atomic generating station. Westinghouse will act as co-developer in the design and manufacture of the pioneering homogeneous reactor and the electric generating equipment. It is a significant addition to the growing list of Westinghouse firsts in atomic power.

WESTINGHOUSE . . . FIRST IN ATOMIC POWER

FIRST atomic reactor for full-scale peacetime electric power plant in the U. S. at Shippingport, Pa.

FIRST industry-owned reactor to test and develop materials and fuels for atomic plants . . . to be built by Westinghouse at Blairsville, Pa. Announced April, 1955.

FIRST atomic engine to drive submarine; U.S.S. Nautilus went to sea January 17, 1955. Westinghouse now working on atomic engines for two additional submarines.

FIRST contract to develop atomic engine for large surface ship... awarded to Westinghouse, October 15, 1954.

FIRST privately-financed factory exclusively for atomic equipment at Cheswick, Pa. In operation December, 1953.

FIRST substantial quantities of useful atomic power produced at the National Reactor Testing Station, Idaho, May 31, 1953. Reactor built by Westinghouse for AEC.

YOU CAN BE SURE.. IF IT'S

Westinghouse

Why Some Are Drafted, Others Not

A Local Board Is Pretty Much a Law Unto Itself

Draft rules are up for a change again. There's a new deal coming for men over 26, fathers, men in essential positions.

Armed forces want more young draftees. They've been getting too many "old" men. Too, there is rising complaint about "toughness" of some draft boards.

Here's the story of what lies ahead in the draft, and what touched off the current commotion.

In a Midwestern university there is a professor who was drafted at age 19, while a student in college, for service in World War II. He served 10 months and was honorably discharged. Now, nine years later the professor still is embroiled with his draft board.

Last Christmas the professor was almost drafted from his job of teaching graduate students in science and chemistry. Those are fields where great shortages of skilled instructors are said to exist. Many draft boards would have deferred the professor, on the ground that he was essential, or because he had served all but two months of the 12 months needed to make him a legal "veteran," or because he was married and a father. But his draft board was tough.

Only direct intervention by Selective Service headquarters in Washington prevented the professor's induction. The board still listed him, up to a recent date, as 1-A. Actually, he can't be drafted, because of a new law passed in June which exempts anyone with six months' previous service. But others like him were drafted, before the new law—often because no one fought the case up to Washington.

The professor's example illustrates a rising type of problem, posed by zealous draft boards that enforce the letter of the rules and ignore the intent of deferment regulations. Such instances, called to the attention of Congress, are adding to pressure for changes in draft rules.

To cite another example:

Somewhere in the U. S. Army, there is an enlisted man with a degree in mechanical engineering and a degree in electrical engineering. For about three years, this man was working on a Navy guided missile, a leading U. S. entry in the race with Russia for air supremacy. But, on June 28, 1954, he was drafted.

Three days before this engineer's induction, a high Navy official appealed to Selective Service to spare the man for six months longer, so he could complete some critical research that he had begun. The appeal was ignored.

A crucial phase of the missile project came to a halt, while the skilled engineer who could have kept it going went off to Army basic training. One estimate is that about eight months' progress was lost on this missile, as a result.

A third example:

In Burbank, Calif., there is a physicist, 27 years old, who is working on a "special project," not further identified for security reasons. It is a reasonable guess that the project involves the U. S. atomic-powered airplane, since the physicist is employed by a company working on atomic-aircraft studies.

In this case, the aircraft company has been able to keep the physicist on the job so far, but it has been pessimistic about chances of getting future deferments for him. Another physicist at the same company was called for induction last April, despite appeals. He flunked the physical exam, which means that under existing draft rules he remains legally liable to a call again until he's 35.

Volunteer—and wait. At the same time that draft boards have been "putting the heat on" in these cases, most draft boards have been meeting their entire calls with youths who volunteer. Often, the youths who volunteer must wait for months to be inducted. A youth in Washington, D. C., 20 years old and unskilled, went to his draft board in July and asked for immediate induction. He's still waiting for a call.

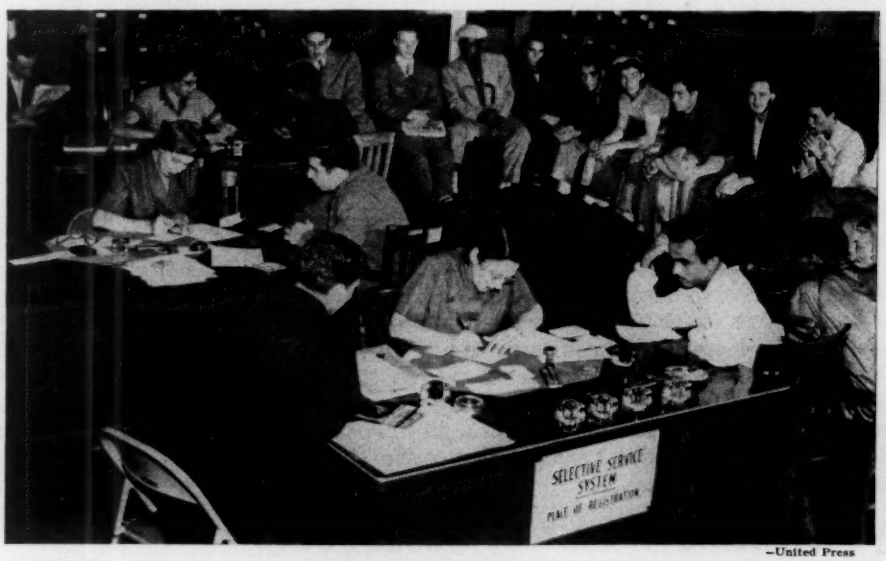
These are examples of the strange ways of the draft. The draft now is taking on new life. The Navy suddenly is asking for draftees. Draft calls will double, rising to 20,000 in November, as a result. There may be a further rise—if the Air Force has to take draftees, as predicted.

Under present rules, an increasing number of these men will be "old" by military standards. Average age of draftees has climbed from 20 to 23 since 1952. The armed forces want younger men.

Against this background, three major changes in draft rules are in the works.

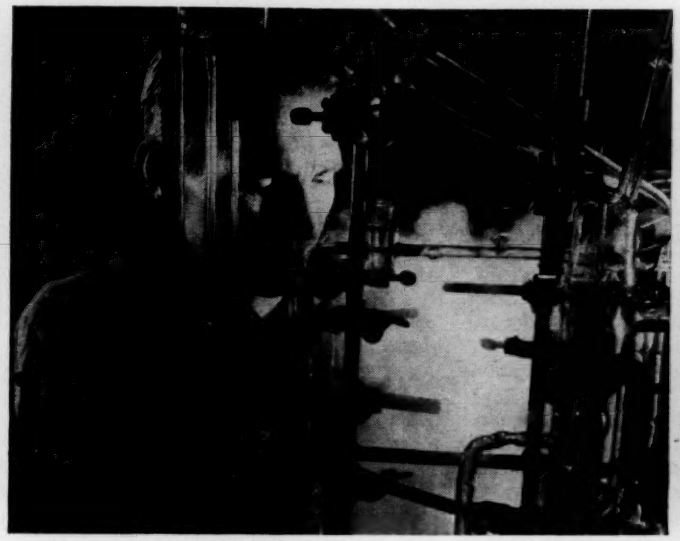
Men over 26 will get a separate new draft status, regardless of past deferments, under one proposed new rule. Draft boards would be told to call these men last, after using up their supply of younger men.

In effect, this would change present law, which requires a board to take its



—United Press

DRAFT REGISTRATION
There is no hard-and-fast rule



—Standard Oil Co. (N. J.), Black Star

ESSENTIAL WORKER . . . . . OR ESSENTIAL SOLDIER

Each case must be decided in the light of a complicated draft law

oldest eligible man first. Men over 26 would be exempt from the draft, in a practical sense. Legally, they would remain draftable, because the plan would keep those who have had deferments on the draft rolls until they're 35.

New fathers will benefit from another change, now being studied at the White House. Local draft boards are to be told to pay more attention to hardships resulting from the draft of fathers. Effect of such a policy would be to exempt most fathers, although a local board would be free to make an exception and draft a father. With the new policy, however, a father would have a better chance to make a successful appeal from the local board's decision.

At present, men who became fathers prior to Aug. 25, 1953, and claimed fatherhood status in time, are exempt by White House order. Thousands who have become fathers since that date may benefit by the proposed new policy.

These two changes are expected to be approved by November 1.

Essential workers have a stake in a third change coming in draft rules. They are to be allowed to join the Army for six months' training, followed by 7½ years in the Standby Reserve, as an alternative to two years' active duty.

The executive order providing this way around the draft has been written and is due to be issued soon. Washington headquarters of Selective Service in recent days has told draft boards to delay induction of several older men, who are essential workers, so they can get into the six-month-training plan.

Outlook: uncertainty. These changes in rules, when finally approved, will still leave room for uncertainty about any individual's prospects. Nobody can say when a man's number is coming up, because that depends upon the supply and demand for manpower in his particular area.

Regulations, too, will continue to be permissive, rather than binding, on draft boards. Appeals from a local board's decision can be made, but they have to be filed quickly and many registrants are unaware of their rights.

Even when a man is fully aware of his rights and has skilled aid, the draft's complex and shifting rules can trip him up, if his draft board is a determined one.

A case in point is that of a Ph.D. who can be called "Dr. Chemist." This man registered with an Indiana draft board during World War II. He then was deferred to finish college. In September, 1948, he registered again, under the first postwar draft law.

Still in college, the future Dr. Chemist was classified 1-A. He did not ask for deferment. In June, 1951, he completed college, got his Ph.D. degree. Expecting induction at any time—the Korean war was in full swing—Dr. Chemist sought no job for three months, waited his call.

Then, on Aug. 23, 1951, he became 26 years old. On his inquiry, his Indiana draft board told him he was over age, gave him a 5-A classification. Dr. Chemist went to New York, took a job with a big corporation.

Suddenly, months later, he got a 1-A card from the Indiana board. By then he was a key man in his company's research setup, doing very advanced work on synthetic materials. His employer began a battle for deferments.

In later investigation it developed, by the draft board's records, that Dr. Chemist had been given an occupational deferment in May of 1951, while he was still in college, without his knowledge or request. This meant, under a twist written into the draft law of June 19, 1951, that Dr. Chemist's draft liability was extended until he reached age 35.

Battle of boards. Deferment requests for Dr. Chemist became, eventually, an appeal to the New York State Selective Service appeal board. That board voted, 4 to 0, to defer him as a man vital to defense production.

The Indiana Selective Service director promptly appealed this decision to the "supreme court" of draftdom, the National Selective Service Appeals Board. It voted 2 to 1 to draft Dr. Chemist. He now was almost 30 years old.

On Aug. 16, 1955, Dr. Chemist was ordered to report for physical examination. At this point, National Headquarters of Selective Service stepped in, upon request of the Scientific Manpower Commission, a privately financed agency representing professional groups. Selective Service ordered Dr. Chemist's induction postponed.

These examples show a few of the quirks that come up in the draft. Basically, they arise because the draft is enforced by 3,920 local boards, which often differ in interpreting rules.

Local boards have their problems, however. Laws and rules change constantly. Demands for men fluctuate. Nobody seems to envy the board members, who are unpaid volunteers. They have the trying task of deciding who must serve, and who can stay home, in light of a complicated draft law that is full of gimmicks for "wise guys" and pitfalls for the unwary.

WANTED: A MAGIC FORMULA FOR THE FARM PROBLEM

After 35 Years of Search, No Really New Ideas

There's nothing new under the sun, it turns out, in plans to raise farm income. All have been tried, or looked into long ago.

Numerous old plans, nonetheless, are coming to light under new names, as farmers lose out in the boom. There are "two price" plans, "soil fertility" plans, "income payment" plans.

The probable outcome: continued price supports, rigid or flexible.

The search is on again for some magic formula to solve the problem of declining farm income for farmers in the midst of record prosperity for others.

Searchers, in their hunt, are making this interesting discovery: There really is nothing in the way of ideas for dealing with the farm problem that has not been explored fully, and even tried out, in years past.

One plan was that of the Federal Farm Board of the Hoover Administration. It didn't work. There were the varied plans of early New Deal days—ranging from attempted cutbacks in production to marketing agreements, with processing taxes to provide money for subsidy payments to farmers—and they didn't solve the problem of surpluses. It took drought in the mid-'30s and World War II in the early '40s to lick the problem.

New pile-up. Now the surpluses are back. The mountain of farm products in Government warehouses dwarfs the stockpiles of New Deal days. Taxpayers own outright 5 billion dollars' worth of wheat, cotton, corn and other products. They have in addition loaned 2 billion dollars to farmers on other surplus crops. In the year that ended June 30, the net loss on price-support operations was just under 800 million dollars.

Most of this hoard of food and fiber piled up under the so-called rigid price supports written into federal law in 1949 by a Democratic Congress. This program has been replaced by the flexible price supports advocated by Republican Secretary of Agriculture Ezra T. Benson. But, even with the flexible supports, according to Secretary Benson, surpluses are likely to be hanging over farm markets for several years.

It is this situation, plus the relentless downward trend of farm prices, that is focusing attention on the farm issue at this time. Republicans, haunted by the farm revolt that many say cost them the 1948 election, would like to come up with a new, sure-fire method to relieve the ills of agriculture.

"Soil-Fertility Bank." As a possible solution to the problem, some Republican farm leaders have pushed forward a soil-improvement plan.

Under this plan, farmers would take out of production a certain percentage of their land, putting it into grass. The grass would protect the soil and build fertility. Thus the name: "Soil-Fertility Bank." The stored-up fertility would be tapped for increased production in time of emergency, such as drought or war, or when it was needed to meet the demands

4 PLANS TO

PROPOSED

PLAN A **SOIL-FERTILITY BANK—**

Government pays farmers to retire land from production and put it in soil-building grasses.

COST: Estimated at 500 million dollars a year.

WHAT CRITICS SAY: Farmers would retire poor land, increase yields on good land. Result — continuing surpluses.

PROPOSED

PLAN C **TWO-PRICE PLAN—**

Farmers get price support on a portion of their production. Remainder is sold on free market for lower "second" price, which increases demand at home and in export markets.

COST: In theory, plan is self-financing.

WHAT CRITICS SAY: Complicated to administer. U.S. would be accused of "dumping" in export markets.

of the increasing United States population.

Farmers would be paid by Government check for each acre of land that they took out of production. This payment, it is thought, would not be objectionable to urban voters to whom the idea of building soil fertility would have more appeal than storing of surpluses in Government warehouses.

Sponsors of the plan estimate that 40 to 50 million acres need to be taken out of crops if U. S. production is to be balanced with consumption. Retiring this amount of land, according to a study by the Agriculture Department, would cost at least 500 million dollars a year.

The "Soil-Fertility Bank" plan, actually, is an old idea with a new name. Democratic politicians are pointing out that it was used extensively in the 1930s when payments were made to farmers for putting land into soil-conserving crops.

The plan at that time, according to one agricultural historian, was excellent as a method of bringing a "gentle shower of Government checks" to farms across the country. However, critics of the idea say it would do little to keep surpluses from flowing into Government hands. Farmers, say these critics, would take their poor land out of production and concentrate attention and fertilizer on the remaining acres, thus harvesting just as much as they did before. Experience of the 1930s, they say, proved drought to be more effective than Government planning in reducing surpluses.

Some farmers themselves view the "Soil-Fertility Bank" with alarm. Dairymen, for instance, say the land in grass would be used to feed dairy cattle, thus increasing milk production and making the dairy price and surplus situation worse.

"Two-Price Plan." Another old idea that has been dressed up and tossed into the legislative hopper is the so-called "Two-Price Plan." As the name implies, there would be two prices for the commodities that would come under the plan.

One price would be high to assure farmers that they would get a good return for at least a portion of their crops. Each farmer would be assigned a quota on which he would get that price. A lower, "second," price would be established by market demand. Farmers could produce as much as they wished for this "second" price. According to the theory of the plan, they would not produce more than was profitable to them. Thus the headache of production controls would be avoided.

This plan appeals to many farmers who produce crops, such as wheat and cotton, that depend a lot on export markets. Those who back the proposal maintain that it would enable such farmers to compete on the world market where they are losing out under the present system of price supports. This system pegs prices too high for export purposes.

Another advantage of the plan, say those who back it, is that it can be made to finance itself. Wheat farmers, who have a version that they call the "Domestic Parity Plan," would raise the money by putting a processing tax on wheat that is milled into flour.

A member of Congress from the 1920 era would recognize the "Two-Price Plan" as the old McNary-Haugen bill that was in and out of Congress time after time. It was, in fact, passed twice by Congress and vetoed both times by President Calvin Coolidge.

Critics of the plan today agree with Mr. Coolidge. They go on to say that it would be difficult to administer. In practice, they hold, it would be necessary to have two sets of controls and quotas. They say also that the U. S. would be in hot water with its allies for "dumping" such products as wheat and cotton into the glutted world market at lower prices than the products bring in this country. Some textile manufacturers fear, too, that cheap export cotton would return to the U. S. in the form of cheap cloth to rob them of markets.

Mr. Brannan's idea. Some Republican politicians are even casting hopeful glances at the "income payments" idea that was the heart of the "Brannan Plan" put forward by Charles Brannan, Secretary of Agriculture under President Harry S. Truman. The basic idea is to let farm products seek their own level in the market place. If prices were to drop below the support level, the difference would be paid directly to the farmer by the Government.

Though Mr. Brannan's name is used generally today to identify this method of supporting farm prices, he was taking a leaf out of the New Deal planners'

BOLSTER FARM INCOME

PROPOSED

PLAN B "BRANNAN PLAN"—

Farm prices are allowed to seek their own level on the market. Government pays difference between market price and support price in direct subsidy to farmers. Lower market prices increase demand for products at home and abroad.

COST: Never estimated.

WHAT CRITICS SAY: To keep cost to taxpayers from becoming prohibitive, farmers would have to be regimented under a strict system of regulations and quotas.

IN OPERATION

PLAN D PRICE-SUPPORT LOANS—

This plan has been in effect since 1938. Government guarantees price support at a certain level. This is done by offering federal loans to the farmer, who puts up his crop as collateral. If the loan is not repaid, Government takes ownership of the crop.

COST: Government now has about 5 billion dollars tied up in surplus crops taken over from farmers who did not repay loans.

WHAT CRITICS SAY: Prices are propped so high, even with downward adjustments this year, that some products are losing markets at home and abroad. Government keeps paying out billions for surplus crops.

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[continued]

WANTED: A FARM-PROBLEM FORMULA

—McManigal

TALKING OVER FARM PROBLEMS
. . . should supports be rigid or flexible?

book. The payments, known then as "parity" or "supplemental" payments, were made in the worst days of the depression as a means of getting money into the hands of desperate farmers.

The "Brannan Plan" met stiff opposition, not only from Republicans but from many Democrats as well. Mr. Brannan said it was not possible to estimate how much it would cost the Government. Some private estimates indicated the cost would be astronomical unless farmers were put under strict production controls. Mr. Brannan set up a system of controls, but farm leaders who led the opposition to his plan said the controls would have meant absolute regimentation of farmers.

Many farmers dislike the idea of getting income payments directly from the Government. They prefer the present system of price-support loans. The loan system enables them to get their money either by selling on the market, which is underpinned by the Government's holding of surpluses out of normal trade channels, or by turning their crop over to the Government in payment of their loans.

"Ever-Normal Granary." Thus, the search for a magical solution to the farm problem has turned up nothing that is actually new. The old plans now appearing in new costumes have been tested, or thoroughly discussed, and found wanting.

In the opinion of seasoned farm politicians, the big argument when Congress returns in January will center again around price supports and whether they should be rigid or flexible. The price-support idea is itself an ancient one as farm programs go. It has been rattling around legislative halls ever since Government farm planning began. It evolved into federal law in the farm legislation of 1938 as a means of implementing the "Ever-Normal Granary" concept.

This concept was based on the idea of bringing crops into Government warehouses in times of surplus by making price-support loans to farmers who put up their crops as collateral. The Government, in theory, gets its money back in times of shortages by putting the crops back on the market. Thus the "granary" is kept at a "normal" level instead of fluctuating up and down in response to the whims of nature.

Strangely enough, the Democratic Congress that wrote the 1938 legislation specified that the supports were to be flexible, ranging from 52 to 75 per cent of parity. Under the flexible program, price support is dropped toward the lower level when surpluses get too high. This is intended to encourage farmers to shift to other crops and feed more of their grain crops to livestock.

But today, with surpluses in virtually every crop, farmers are hard put to find a crop to which they can shift. And, with prices for hogs and cattle slumping, there are no bright prospects for profit from feeding grain to livestock.

The "Ever-Normal Granary" is filled to overflowing. This situation, in the opinion of many farm experts, is likely to continue for many years, barring another war. American farmers, say these experts, are just too efficient for their own good. With their modern methods and ample supplies of fertilizer, they'll keep ahead of the expanding U.S. population for years to come.

Thus 1956 is not likely to be the last year that politicians—Republicans and Democrats—will wrestle with farm-surplus and farm-price problems.

For the reactions of Secretary of Agriculture Ezra T. Benson to pressures for a new farm plan, see page 62.

—Black Star

WHEN THE FARMER DOES HIS BOOKKEEPING . . .
. . . will his income keep on going down?

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TIMES GETTING HARD FOR DICTATORS?

Perón the Latest to Go—Others Show Worry

This is the story behind the latest downfall of a dictator.

Perón—like Hitler, Mussolini and Stalin—used all of the devices of despots to keep in power. He suppressed criticism, exiled possible opposition.

Finally, he felt strong enough to lick all opponents. He took on the Catholic Church. He defied the armed services.

Then the pressures, always present under suppression, blew up in Perón's face, resulted in the violent overthrow of another modern dictator.

The outcome: group rule in Argentina.

BUENOS AIRES

When Juan D. Perón was forced out of office, another of the world's "great" dictators was crossed off. Perón had ruled for nearly 10 years as the absolute boss of Argentina.

Mussolini and Hitler, among the "great" of modern dictators, died violently after waging war. Stalin, the most powerful of them all, died what Moscow described as a natural death—but there were rumors of other causes.

Dictators today wield their power from shaky pedestals.

Franco remains supreme in Spain, but is giving thought to a legitimate succession through the royal family. Nikita Khrushchev, trying to fill Stalin's old shoes in Russia, feels it necessary to provide the "front" of committee government and to divert opposition by posing as a man of peace. Mao Tse-tung, dictator of Communist China, is maintaining power by ruthless suppression of opponents.

Perón tried all of the weapons of despotism to keep his power. He used jails and torture. He forced known or suspected opponents into exile. He suppressed all criticism. He tried to arm the workers.

Yet, inexorably, the pressures grew and his fate was sealed.

The Army's role. It was the Army that first gave Perón power, and it was the Army, jointly with the Navy, that destroyed his power. In any dictatorship, it is the armed forces that most readily can become the rival to the dictator. Perón, an Army officer himself, felt that he had purged the Army of all who might challenge his authority. But, when the final test came, only a minority of the commanders were ready to stand at the side of the dictator.

Unrest, some cause of dissatisfaction, must exist to bring on a crisis for the dictator.

In the case of Argentina and Perón, the causes of the blowup had been smoldering for a long time. Perón, for one thing, challenged the Catholic Church in a nation where Catholicism is the state religion. This challenge cut across all classes and groups. It even had some effect on the labor organization that was Perón's right arm.

Labor's influence. Perón's biggest strength lay with labor. After his Army clique overthrew the legal Government in 1943, he became Secretary of Labor. Then he started building up a following among the workers. He established wage-hour laws and the beginnings of a social-security system.

The future dictator, aided by his wife, Eva Perón, moved in on the General Confederation of Labor (CGT). They helped it to take over rival unions or destroy them, one by one. It was largely the votes of CGT members that elected Perón President in 1946 and re-elected him in 1951.

As in all dictatorships, Perón's regime was honeycombed by jealousies and struggles for power. The Navy and the Air Force were jealous of the Army and of labor. The Army resented labor's influence. Officers in all the armed forces were envious of the power wielded by Eva Perón. They were indignant at the corruption among Perón's political associates and the shakedown methods of getting money for the Eva Perón Foundation.

Perón's secret agents were vigilant, and officers were purged if their loyalty seemed doubtful. One plot after another against

—Rube Goldberg in the New York Journal-American

"CRUMBLING BALCONY"

. . . jealousy and corruption

—Herblock in the Washington Post & Times Herald

"STRONG MAN"

. . . leaving problems behind

—United Press

1946: CHEERS AT PERON'S INAUGURATION

1955: CHEERS AT PERON'S DOWNFALL

When the big test came, the Army was no longer loyal

Perón was nipped, and the plotters were jailed or exiled. Still the jealousies and resentments persisted.

Attack on Church. Perón, like all dictators, finally felt he was so strong that he could whip any opponent. In November, 1954, he took on the Catholic Church. He began arresting priests and waging an abusive campaign in his controlled press and over the radio. He passed laws that he knew the Church opposed. Eventually he expelled two high-ranking members of the priesthood from the country.

This fight on the Church fanned resentment in the armed forces. On June 16 of this year, elements of the Navy revolted. The Army was loyal, that time. It put down the revolt, but made it clear that Army leaders expected the dictator to listen to their advice in the future.

Then the CGT came up with a new plan, dictated by Perón. CGT members were to be armed and trained as militia. The inference was that the Army could not be trusted, hence Perón needed a really loyal force that would fight for him in any showdown. It was this scheme that swung a majority of the Army's leaders against the dictator and led to the successful revolt.

Now Argentina had a provisional Government headed by Maj. Gen. Eduardo Lonardi, one of the many officers who previously had broken with Perón. General Lonardi and three associates ruled Argentina with dictatorial powers, and they were soon to find that, along with absolute powers, they had taken over a first-class set of headaches.

The immediate headache was uncertainty about what the CGT would do. This organization claims 6 million members. A majority of them were believed to be still loyal to Perón, and some were fanatical in their devotion to him. A long strike by the CGT could prostrate Argentina, and an active fight to bring back Perón could plunge the country into civil war.

Initially, CGT leaders urged the workers to keep the peace and to stay on their jobs. It was not yet definite, however, that the CGT would accept the new Government.

Economic ills. Another headache was the farm problem. In the U. S., the farm problem is caused by overproduction. In Argentina, one difficulty is under-production. Farming methods are out of date. For years, Perón's policies punished crop farmers and stock raisers. Although he finally changed his policies, production was still below prewar levels.

In the last eight years, Argentina's population has increased from 16 million to 19 million. There are more mouths to feed, and less grain and meat left over to export. Exports are not earning the dollars and sterling that Argentina needs to buy capital goods.

The railway lines, owned by the Government, will be unable to give good service unless they get hundreds of millions of dollars' worth of imported equipment. There are shortages of power plants, farm machinery, tractors, trucks, buses, oil-field equipment and road-building machinery.

Oil imports are eating up 200 million dollars a year. The country is producing only 45 per cent of the oil that it consumes. The Government petroleum agency is unable to finance new equipment, and private oil companies are not being allowed to expand their production.

Electric power is so short that industries are rationed. Yet the companies serving Buenos Aires, where nearly a third of the nation's people live, cannot get dollars and sterling to buy as much generating equipment as they need.

All of Perón's ventures into state socialism are losing large amounts of money. This is true of the Argentine Institute for Trade Promotion, the railways, the airlines, the merchant fleet and the Buenos Aires transportation system. Perón paid the deficits by dipping into the national treasury or drawing on the Central Bank. This, in turn, fed inflation.

Inflation is pushing up the cost of living 16 to 18 per cent a year, in spite of price controls. Although organized workers have been getting pay increases from time to time, retired people and unorganized workers are being hurt by the rising prices.

New elections? Besides all these headaches, there was the question of how long it would be before troubles developed inside the new Government. The new Government had promised that it would uphold the constitution and would restore the individual rights that Perón suspended. It called itself a "caretaker" Government, and there was talk of holding elections so as to hand the power over to a constitutional regime.

Practically speaking, the new Government was a four-man dictatorship. Thus it was subject to the jealousies, the intrigues and the struggles for power that afflict dictatorships. If elections were held rather soon, these troubles might not become serious. But, if the new Government perpetuated itself and an ambitious man maneuvered himself into a position of full power, Argentina could find itself in the grip of another "great" dictatorship.

AN ATOMIC NAVY—WHEN

"Forrestal" Among Last of Present-Style Carriers

Radical changes are in sight for U. S. sea power. The prospect:

Atomic propulsion is planned for surface ships, subs, planes.

New atomic weapons for use at sea are coming in wide variety.

Missiles will become basic weapons for subs, special ships.

Seaplanes, atom driven, will use seas as 10,000-mile air bases.

With the supercarrier *Forrestal* being commissioned now as the world's biggest warship, questions about the trend in sea power are being raised on all sides—whether billions still must be spent for naval ships in the atom age, what weapons are being developed, whether rapidly expanding Russian naval forces are posing any real threat.

Here are the authoritative answers from top-level official sources to the questions asked most often at this time:

Is an atomic aircraft carrier in sight?

It is in the initial stages. The Atomic Energy Commission is now developing a prototype of a reactor suitable for propulsion of a large ship. At the same time, studies are being made in the Navy's Bureau of Ships for the application of nuclear propulsion to an aircraft carrier as soon as possible.

Why is the latest carrier so big and costly?

The *Forrestal* is the first aircraft carrier designed and built to handle modern jet aircraft—present and future. Carriers of this class will have angled decks, heavier catapults, larger elevators, greater lifting capacity, higher hangar "overheads"—ceilings—and greater aircraft fuel and ammunition-stowage capacity. All these improvements combine to permit operation of larger, heavier aircraft and to give the carrier greater striking power and operational flexibility.

This is the first class of carrier designed since the end of World War II which fully incorporates the lessons of that war and which can operate present and future aircraft.

What is the Navy doing in the field of atomic weapons?

A stable of atomic weapons—air-to-air, air-to-ground, and surface-to-surface—is being assembled.

Several weapons of Navy origin, designed to use atomic warheads in various ways, reached advanced stages of development last year and should become operational within the near future.

New tactics and techniques for the delivery of atomic weapons were developed and will soon be in use by the fleet. There has been a steady increase in the number of air squadrons and fleet aircraft capable of delivering atomic weapons. All of this is done in complete coordination with the other services.

How about atomic-powered naval aircraft?

The Navy is giving special attention to the nuclear propulsion of naval aircraft, in particular to nuclear-powered seaplanes. Promise in this field is great. Nuclear power offers the obvious advantages of practically unlimited range with very high speed.

Is the Navy developing guided missiles for use at sea?

The 1956 fiscal-year budget includes funds for conversion of one light cruiser

(Continued on page 42)

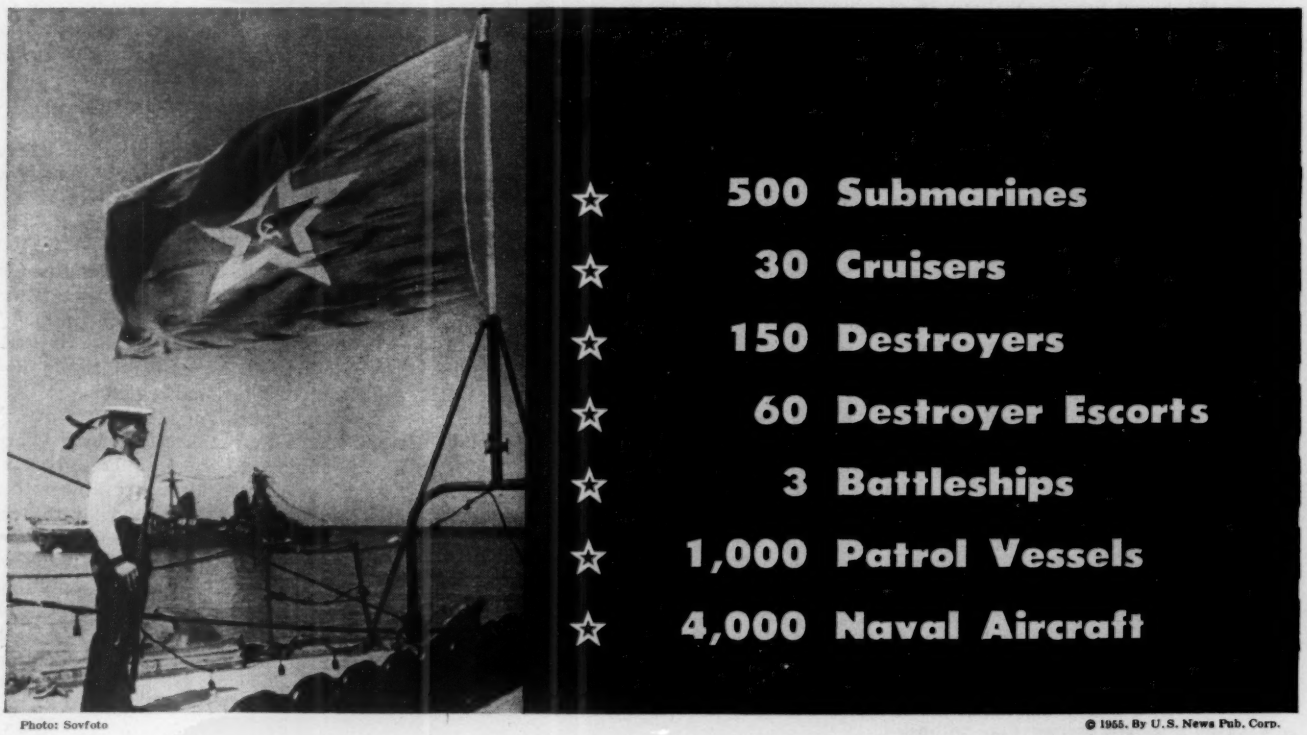

Photo: Sovfoto

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"THE OHIO FARMER Picks the Money-Makers,"

Says Jay Hay, Pickaway County, Ohio

For the latest money-making methods, and for information on what brands of products to *buy,* 3 out of 4 Ohio farmers vote for—THE OHIO FARMER.

These progressive farm folks rely on THE OHIO FARMER for *complete,* competent coverage of *all* phases of Ohio farming. You see, they need close-to-home information on a great variety of products and livestock, grown to *diversify* their operations as widely as possible. Best of all, this gives them the best kind of income—the *big, steady* kind right around the year.

Year-around sales in this top-third income state makes it one of the richest farm markets you can find. And, a real money-maker for *you* is THE OHIO FARMER, reaching three-fourths of the state's farm families with lots of *steady* cash to spend. Among the states matching Ohio's income and its steadiness are Michigan and Pennsylvania, served by their own state farm papers—MICHIGAN FARMER and PENNSYLVANIA FARMER. Write to 1010 Rockwell Avenue, Cleveland 14, Ohio, for details on the selling effectiveness of these rotogravure magazines that save the cost of printing plates.

The OHIO FARMER

Cleveland, Ohio

MICHIGAN FARMER, East Lansing, Michigan

PENNSYLVANIA FARMER, Harrisburg, Pennsylvania

[continued]

AN ATOMIC NAVY—WHEN

and one destroyer to carry the Terrier missile.

Three major guided-missile projects were undertaken by the fleet on a modest scale in 1954. Current plans envisage development of several missile systems in the coming year.

Navy planners requested nearly twice as much money for guided missiles this year as they did last year. As rapidly as such missiles become available for operational use, they are being made available to the fleet. Tests have been very successful and the Navy intends to modify its ships for better use of these weapons.

The *Nautilus*, the first atom-powered submarine, is in operation. Its performance has exceeded the Navy's expectations. The *Seawolf* will be completed and begin operations in 1956. Two more nuclear-powered submarines were authorized in the 1955 building program and four have been approved by Congress in the 1956 shipbuilding program. The plans for 1957 are still being worked out.

Why does the U. S. need submarines, when Russia has only a few merchant ships that would be targets in a war?

Modern submarines are expected to have a very important role in antisubmarine warfare, in launching guided missiles, in conducting mining missions, acting as radar pickets and conducting air-sea rescue work. They may even be needed to transport military cargoes, if activity of enemy submarines makes that necessary.

—Dept. of Defense

THE SUPERCARRIER "FORRESTAL"
The next stage: an atomic carrier?

Will the Navy gradually become atom powered now?

Yes. The *Forrestal* may be among the last half dozen of this country's great naval vessels that are not powered by atomic energy. Throughout the fleets, accent is being put on the rapid adoption of nuclear propulsion for submarines, surface ships and aircraft. The nuclear-propulsion field is in its infancy, and a great deal remains to be learned about atomic power.

It must not be assumed that conventionally powered naval vessels will no longer be built. The conversion must necessarily take time, and it is likely that certain types of ships will use conventional power for many years to come.

How many more atom-powered submarines are planned?

Is there any other Navy, so far as we know, that has atom-powered ships?

No.

Is there a trend toward seaplanes?

Definitely. The seaplane is being improved greatly, to augment carrier-based aircraft and give more flexibility to use of the seas. The latest seaplane to be developed is the Seamaster, a four-jet swept-wing aircraft.

The seaplane can now be built to any size. Its speed and altitude performance can be made to equal its land-plane counterpart. It can carry heavy loads over long distances. It has certain advantages over other types of aircraft, as it is free from the restriction of prepared runways and decks of ships. It can operate from any sheltered position, be replenished from an advanced base or seaplane tender and proceed on its mission.

Can the ocean then serve as a giant airfield?

Yes. The seas are really 10,000-mile-long air bases. It is quite conceivable that both fighter and bomber types of aircraft will be able to operate from the water. In fact, the Sea Dart fighter and the Seamaster, which has attack capabilities, have already been built. Once nuclear propulsion can be adapted to the seaplane—and for this it appears ideally adapted—its operations would become greatly expanded. It's possible, incidentally, that atom-powered submarines might be used to supply atom-powered seaplanes on the ocean's surface.

How much real combat strength are the Russians developing at sea now?

Soviet naval strength is increasing at this time in both surface and subsurface categories. For example, more Soviet cruisers are now under construction than are being built by all of the Western Allies combined. The Soviet Navy now maintains four main fleets—the Northern Fleet; the Baltic Fleet, which is the largest; the Black Sea Fleet, and the Pacific Fleet. Its greatest strength lies in its growing submarine force.

Has Russian naval air power become a threat, too?

Yes, this is true despite the lack of Soviet aircraft carriers. The number of aircraft in the Soviet Navy is upward of 3,000. These can operate from bases throughout the U.S.S.R. and from a formidable series of bases in East Germany. From these, the Russians could launch attacks upon Allied shipping in the English Channel, the North Sea, the Norwegian Sea, and on ports in Northwestern Europe.

In the Pacific, the threat is much the same, with indications that Soviet naval planes could make attacks on Allied shipping throughout the China Sea, around the Japanese Islands and in the Bering Sea area.

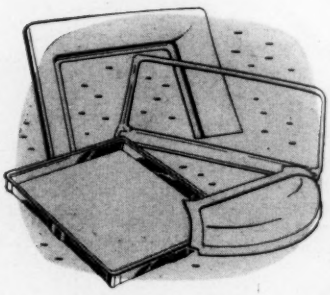
What does the Navy expect its role to be in an atomic war?

The Navy, in co-ordination with its sister services, would be immediately involved in any atomic exchange—defensively parrying the enemy's efforts, whether they came from above, on, or below the sea's surface, and lashing back with the considerable destructive force that its sea-based weapons can bring to bear.

What Jimmy doesn't know

To Jimmy, that new sports car is the "last word" in design. But Jimmy doesn't know it's only the beginning of a new automotive era. Nor does he know that custom-molded reinforced plastic helped put the low, sleek lines in the sports cars—helped make that delivery truck smart enough for a Sunday drive.

And Jimmy doesn't know that the Fabricon Products Division of Eagle-Picher constantly is developing new applications for reinforced plastic parts, produced with matched metal molds, not only in the automotive field but in other major industries. Or that *regardless of the size or shape of molding required,* Fabricon can produce it. Proof is in the fact that more and more manufacturers are turning to Fabricon reinforced plastic moldings—for products that range from bakery trays to automotive parts.



Fabricon Products are among hundreds of Eagle-Picher products for broadly diversified basic and growth industries.

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First Time in Eight Years . . .

MURDERS AND ROBBERIES ARE DOWN

Something has caused a break in the crime wave. Big question: Will the rate of decrease continue?

Some cities where total crime is off sharply find murder and rape increasing. Toll in money and lives is still heavy.

Following are the latest facts—and an exclusive interview with J. Edgar Hoover on why the rate is down.

The big crime wave that hit the nation after World War II has started to taper off. All of a sudden, after a 36 per cent rise in seven years, the crime rate is falling.

To date, for the nation as a whole, the decline has been small. The important thing is that the rise has stopped. And in a good many places, including many of the larger cities, a spectacular drop in the crime rate has been reported.

In Kansas City, so far this year, crime is off 21 per cent. The rate is down 20.6 per cent in Cleveland, 18 per cent in Spokane, 14.1 per cent in Chicago, 8.4 per cent in New York.

There were 130 fewer cases of murder and manslaughter in the nation in the first half of this year than in the same months last year. There were 5,390 fewer robberies, 8,790 fewer burglaries.

Still a heavy toll. Even with the recent decline, crime remains big business.

In the first six months of 1955, a total of 3,290 persons died by murder or manslaughter. And 30,260 people were held up and robbed. Burglaries numbered 254,330. There was an increase in the number of rape cases, to 9,300.

More than 2 million major crimes will be committed this year if the present slightly reduced crime rate continues through 1956. This is the estimate of J. Edgar Hoover, Director of the Federal Bureau of Investigation.

A decline of seven tenths of 1 per cent in crime, now reported by the FBI, follows a record high set in 1954. The change for the better has occurred at a time of rising prosperity, but whether or not these two trends are related is a matter of dispute. Police in all parts of the country say that crime is decreasing because improved training, more policemen, better equipment and new methods enable officials to do a better job.

Police have learned that, if they put enough foot patrolmen to work in a limited area, they can cut down the number of crimes that start on the streets, such as robbery, burglary, assault. But no amount of good police work can stop the crimes that are committed indoors and out of sight of the law, such as murder and rape. These two crimes increased this year in some cities where the general crime rate went down sharply, including Chicago, Omaha, San Diego and Minneapolis.

Root of evil. It is still true that an urge for easy money lies at the bottom of most crimes.

Chain-store and bank robberies appear to have gained in popularity. Holdup men still prowl in the big cities. Yoke robbers and muggers terrorize citizens on the streets. Yet, in all the robberies in the nation between last January and June, robbers got the comparatively small sum of $6,626,940.

Criminals got only a small portion of that money through muggings or yokings,

Source: FBI Photo: Wide World

© 1955, By U. S. News Pub. Corp.

which are the most vicious types of highway robberies. A criminal of this type attacks his victim from behind, locks an arm around his throat in a strangle hold and often beats him into unconsciousness.

The underworld's biggest take is in auto theft, totaling $105,766,290 in the six-month period. Criminals got $49,748,720 through larcenies and $44,762,080 from burglaries.

Most of the things that are stolen are taken from automobiles. About 40 per cent of all larcenies last year involved rifling cars of things lying on seats or stripping the cars of accessories.

Police recover little more than half of all property that is stolen.

Stiffer penalties. Criminals are not getting away with their misdeeds as easily as they once did. Crimes are being solved more quickly, and there are fewer unsolved crimes today. Police in 1954 solved 75 per cent of homicides and other crimes against the person. They cleared by arrest 25 per cent of the crimes against property.

Once arrested, a suspect's chances of keeping out of jail are slim. Five out of every seven persons charged with crime in 1954 were found guilty.

Courts are not as lenient with convicted criminals any more.

All of this shows up in figures on the U. S. prison population. It is at a record high, in State and federal institutions—185,000. That's because a larger proportion of persons who commit crimes are going to jail and are being kept there longer.

Behind a lot of crime is the narcotics traffic.

This impetus to crime is diminishing. The drug traffic has been decreasing since 1953, chiefly because some foreign countries have had drives to clean up illegal heroin laboratories within their borders.

The road ahead. Does the downturn in criminal activity mean that the postwar crime wave is over? Experts disagree on the outlook, just as they differ on the reasons for the wave and its drop.

If what has happened in recent years is an indication, however, there will be little change. There is an almost uncanny similarity in the number of crimes committed each year. For instance, in the first half of 1953, killers' victims totaled 3,390 and, in the first halves of 1954 and 1955, the figures were 3,420 and 3,290, respectively. Automobiles stolen in the first half of 1953 totaled 112,600; in the first half of 1954 the figure was 110,060, and in the first half of 1955 it was 109,830. Policemen killed by criminals in 1952, 1953 and 1954 were 63, 63 and 61.

The underworld is meeting stiffer opposition and has lost some ground this year. But there is no sign yet that it is on the way out.

INTERVIEW with J. EDGAR HOOVER

WHY CRIME IS DROPPING

J. Edgar Hoover, Director of the Federal Bureau of Investigation since 1924, has observed crime and criminals in depression and prosperity, in war and peace. In the following exclusive interview with "U. S. News & World Report," Mr. Hoover discusses the recent drop in the crime rate, which reverses a seven-year rise:

Q Mr. Hoover, has the era of business prosperity helped to cause the drop in the crime rate?

A No. That theory needs only to be tested against the immediate past to reveal its flaws. Business, in the nation as a whole, has been essentially prosperous since the conclusion of World War II, yet for the past seven successive years the rate of crime has risen over each preceding year.

Q Has there been any change in religious activity that would account for it in part?

A Yes. Crime, like its twin, subversion, is a manifestation of materialism. The individual who has little faith in the things of the spirit is prone to attach importance to material things. He may simply take what he wants, heeding no moral restraint. As a consequence, the crime rate goes up. Recent statistics indicate that church membership in the United States climbed to a record high last year. It is entirely possible that a spiritual renaissance could be affecting current trends in the crime rate. It is even more possible that such a renaissance could have a distinct effect upon crime trends in the future.

Q Has the era of peace of the past few years been a cause?

A I doubt it. The post-World War II era has been so full of doubts, disruptions, tensions and armed conflicts that it could, in honesty, scarcely be termed an era of peace.

Q Are there any other psychological explanations for it?

A There can be no doubt that necessary adjustments following World War II are running their course. The spirit of abandon, impermanence and insecurity of the war years can be corrected only by time and adaptation to new conditions.

Q Are police more efficient than they used to be?

A They are indeed. The record of law enforcement in the past 10 years reflects the progress made. While the nation's population was increasing 21.3 per cent in the past decade, the number of police personnel increased only 17 per cent. In the same period, police assumed greatly increased responsibilities. Nevertheless, the record reflects that in 1954 there were 616,000 offenses cleared by arrest, as contrasted with 1944 when only 397,000 offenses were cleared by arrest.

Q Is there anything new in police techniques which has been noticeably effective?

A Yes. The growing professionalization of law enforcement at the local level deserves recognition. In almost all areas of the nation salutary emphasis is being placed on the intensification of police training. Certainly the emergence of a trained corps of local officers, the development of voluntary co-ordination among all elements of law enforcement and technical advances in the field of communications are factors which must be taken into account.

Q Are we moving into an "era of lawfulness," as contrasted with eras of lawlessness in the past?

A We are not, and I see no facts on which to base any optimistic prediction for the future. Time alone will reveal whether these most recent statistics are indicative of anything other than a bare "holding of the line." Something more definite will have to be forthcoming to indicate a downward trend. I do not overlook the possibility, however, that a real upsurge of public opinion, buttressed by intelligent co-operative action, could materially alter the outlook.

Q Do you foresee any downward trend in juvenile delinquency?

A There are signs of leveling off in juvenile delinquency in many areas. Those areas, however, in which concerted action has proved effective are counterbalanced by too many areas in which too little is being done. There is a real need for more dynamic programs in which parents, police, schools, churches and community groups combine to promote plans of positive action designed to meet the needs of each area. Once there is widespread community mobilization to meet this challenge, the present unwholesome picture of youth in crime could change incisively.

TROUBLES OF THE LIQUOR INDUSTRY

Companies in Tax Squeeze—"Moonshine" Hurts

One big U. S. industry, the distilling business, is the orphan of the economic boom.

Sales of American whisky are off. Profits of some companies are down. Consumer buying of "hard" liquor is lower, at a time when more people are able to buy luxury products.

Distillers blame high taxes and busy "moonshiners." Some are blaming each other.

In a decade when most U. S. industries have been doubling their sales and profits, the big American distilling business has been standing still.

Distillers, beset by problems unique to their industry, feel that the postwar boom has passed them by. They say their sales and profits have failed to keep pace with the expansion of the country's economy—that they are not getting their share of the consumer's dollar, at a time when more people are earning and spending more than ever before.

The distilling industry is still making money, considers itself inherently healthy. Last year, profits—before taxes—were estimated at 132 million dollars.

In some cases, however, sales and earnings are down sharply since the war. Per capita consumption of distilled spirits is less than in 1942 or in 1946.

Taxes on a bottle of American whisky are seven times what they were in 1933, after repeal. The cost of everything that goes into the bottle is up. Yet, the distillers contend, prices to the consumer are about what they were in 1947. And, according to one tabulation, sales of domestic whisky have dropped off by 16 million cases since the war.

What has happened? You get a dozen different explanations in this highly competitive business. You find a high degree of frustration, a dispute within the industry on the question of how the Government should regulate and tax whisky.

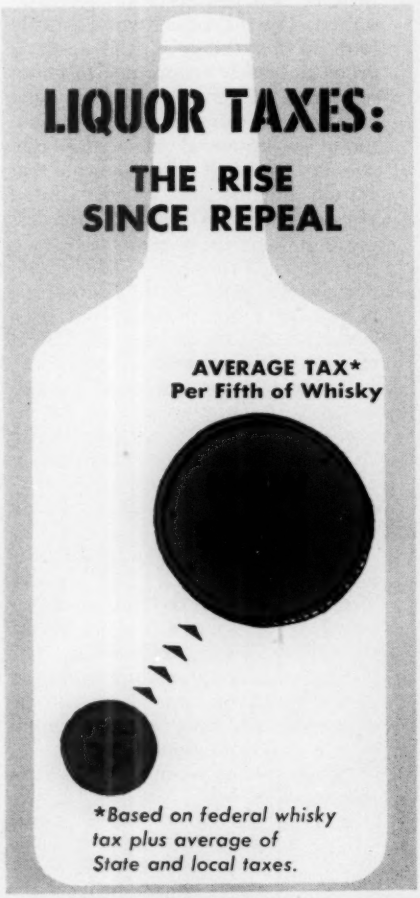
High federal, State and local taxes, now amounting to more than half the price of the average bottle of whisky, are unanimously condemned by the distillers. They agree, too, that "moonshine" in various forms has become big business, accounting perhaps for one gallon out of every four consumed in the U. S.

"Drys," well organized and active at the grass roots all over the country, are credited by the liquor trade with banning legal sales in areas where 16.3 per cent of the population lives.

The whisky-making industry has some long-range problems not shared by other U. S. manufacturers. Whisky must be aged four years; when it is eight years old, the federal tax of $10.50 per gallon must be paid—right on the barrel head—whether the whisky can be sold or not.

Thus distillers must look four to eight years ahead in estimating their market and the whims of the country's drinkers. Public tastes shift all the time, from rye to bourbon, from blended whiskies to straight whiskies, from gin to vodka.

American-made whisky, however, predominantly bourbon, remains the backbone of the domestic distilled-spirits trade. Despite inroads from imported liquor, and from gin and vodka, more than 70 per cent of the liquor sold in this country last year was U. S. whisky.


LIQUOR TAXES:
THE RISE SINCE REPEAL
AVERAGE TAX*
Per Fifth of Whisky
*Based on federal whisky tax plus average of State and local taxes.

Source: Distilled Spirits Institute
© 1955, By U.S. News Pub. Corp.

Too much whisky? Overproduction of whisky, for any reason, can bring long-term problems to the industry. Distillers, obliged to keep their product in warehouses for four years, cannot work off their inventories as fast as auto or radio manufacturers.

During the Korean war, for example, distillers feared they would be converted to production of industrial alcohol, as they were during World War II. They made whisky day and night, against the anticipated drought which never came. During 1950 and 1951, the industry turned out nearly 650 million gallons of whisky. This has become salable only in the last two years.

Whether there is now a "glut" of whisky or not is in dispute among distillers. Stocks of whisky in warehouses at the end of 1954 were more than 707 million gallons, not much less than the record 1951 inventory of 760.8 million. Some distillers call this a 10-year supply, others say it will last six years.

Certainly there has been an oversupply of some kinds of whisky—rye, for instance. For certain kinds and brands of whisky that were not selling, there have been distress sales, discount "dealing" and price cutting.

Loss and "force-out." All told, about 50.4 million cases of domestic whisky were sold last year. But, according to figures put out by one of the major companies—Schenley—17 million cases were sold at or below cost.

The same company estimates that imported liquor, although amounting to only 13.3 per cent of the cases sold, drew off 38.9 per cent of the industry's total profits. Imports of Scotch and Canadian whisky have doubled since the war.

Quite a bit of whisky was exported before it had been eight years in bond to avoid payment of the $10.50 federal tax. This is called "tax force-out." Only alternatives to tax payment are export, redistillation or destruction of the whisky.

Last year, for instance, little Belgium received the huge total of more than 2 million gallons of American whisky, as compared with about 7,000 gallons in 1953.

The Belgians were not expected to consume the whisky. It was shipped to

them to avoid payment of the U. S. tax at a time when it had no U. S. market. Hope is that it can eventually be sold somewhere in Europe at almost any price.

Here at home the eight-year "tax force-out" has split the industry. Schenley is leading a campaign to abolish the limit, let distillers pay the tax when they can sell their whisky. Others of the Big Four—Seagram, Hiram Walker and National Distillers—are opposed to outright abolishment. Efforts to compromise have not worked out, and the outlook is that the battle will be carried back to Congress in the coming session.

Charge and countercharge. Schenley contends the "force-out" works to the advantage of foreign distillers because no other country has such a bonding limit.

In a statement to the House Ways and Means Committee last July 26, Richard V. Gilbert, vice president of Schenley, charged that "two Canadian companies," which he named as Seagram and Hiram Walker, "have reaped a lush windfall" from the U. S. bonding law.

"They have bought millions of gallons of United States distressed whisky at bankruptcy prices," Mr. Gilbert said. "They have then sold it throughout the world and to rub salt into the wound sold some of it right back here in the United States under Canadian labels at fancy prices."

The Seagram and Hiram Walker companies deny these charges vigorously, and in detail. They contend that, if the eight-year bonding limit is abolished, Schenley will get a competitive advantage because it has been "hoarding" older whiskies, preparing to start a "battle of ages" in the whisky trade.

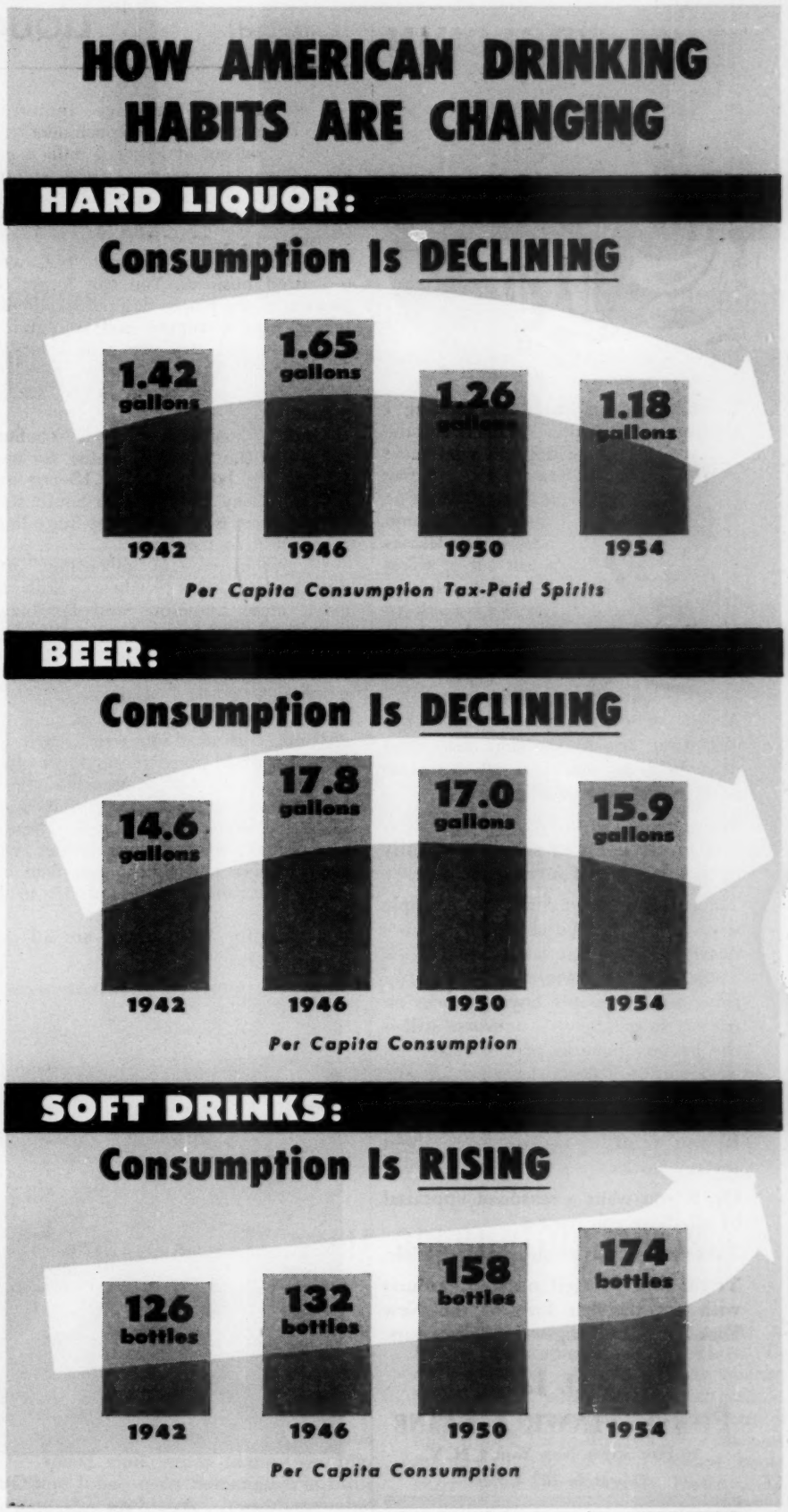
The whole issue is intensely controversial. The Government, thus far, has taken the position that it is up to the distillers to get together and decide what they want.

"Moonshine" and taxes. The whisky trade, while split on the "force-out" issue, is of one mind on the burden of taxation and the increasing size of the organized "moonshine" industry.

No other product, the distillers say, has been taxed like liquor. The federal tax alone has climbed from $1.10 per gallon just after repeal to $10.50, where it has stood since 1951. Along with State and local taxes, the levy on an average fifth of whisky now runs to $2.41, as the chart on page 46 shows.

Many distillers would settle for a $6-per-gallon federal tax. This, they believe, would go a long way toward crushing the "moonshine" industry, which is reaching prohibition scope.

(Continued on page 48)



Source: U. S. Census Bureau, industry reports

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THE LION AND THE DOLPHIN

The lion had his hands full fighting a wild bull, so he called on his friend the dolphin who came racing in to the rescue. But once on land, the dolphin was as helpless as a fish out of water—could barely flop his way back to safety in the sea.

Aesop, of course, used this story a long time ago to say that when you need help be sure you ask someone both willing *and able* to give it.

We're using the story again because it still makes a lot of sense—especially in this business of investing.

Time after time, we come across people who call on the butcher, the baker—nearly anybody but a broker—for the investment help they need. Time after time, we see people buying stocks on the say-so of friends—or worse still—the passing remarks of a stranger.

And that just doesn't make sense.

If you want to invest . . .

If you want up-to-date facts about certain stocks . . .

Or, if you want a seasoned appraisal of all those you own—

Take Aesop's advice and go to a broker.

You'll find yourself on solid ground with any member firm of the New York Stock Exchange—including ours.

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[*continued*]

LIQUOR-INDUSTRY TROUBLES

The Licensed Beverage Industries, Inc., estimates that "moonshiners" are now turning out at least 70 million gallons of whisky a year. In 1954, authorities seized 23,000 stills all over the country, and this year the rate is increasing.

"Moonshine" has become big, well-organized business. You can forget the picture of the lonely Southern "hillbilly" toiling over a copper coil, shotgun at the ready and one eye peeled for the "revenoors." Today's "moonshiner" is more likely to live in a New York penthouse.

Once "moonshining" was confined largely to the Southern States. So were sales. Now, however, only 15 per cent of the whisky made in the South stays put; the rest is shipped over State lines, much of it to the East.

Biggest increase in "moonshine" production is in the Northeast. Stills are much more numerous and far bigger than they used to be. One grabbed recently in Coney Island, at the edge of New York City, had a daily capacity of 2,000 gallons.

Some "moonshine" is sold as such, but not much. In one Southern area it has been put up in tomato cans. More often, however, it is sold in genuine whisky bottles, with real or counterfeit brand labels, with or without faked or reused tax stamps. Second-hand bottles with clean labels and fairly complete tax stamps command prices of 15 to 25 cents.

Outlets for "moonshine" are all over the place: factory districts, office and loft buildings, little stores in residential areas, apartment-house "speak-easies."

As a rule, the buyer is told that the "moonshine" is "genuine stuff" and that it has either been "smuggled back across the border tax free" or "hijacked from a truck." Cost is usually about a dollar or so less per bottle.

It looks real and, according to distillers, often tastes real. Much, however, is rank poison.

Less urge to drink? A good many people in the distilling business agree with the president of one big company who believes that illicit whisky is "probably the greatest competition faced by tax-paid distilled products."

"Moonshine," said this company head, is no longer a poor man's drink, but reflects a "tax rebellion" among higher-income classes.

In any case, as you can see from the chart on page 47, the American consumer is drinking less legal liquor, less beer, but more "soft" drinks than he did just after the war.

Some distillers, pondering these figures, privately say that "maybe times are just too good for the liquor business."

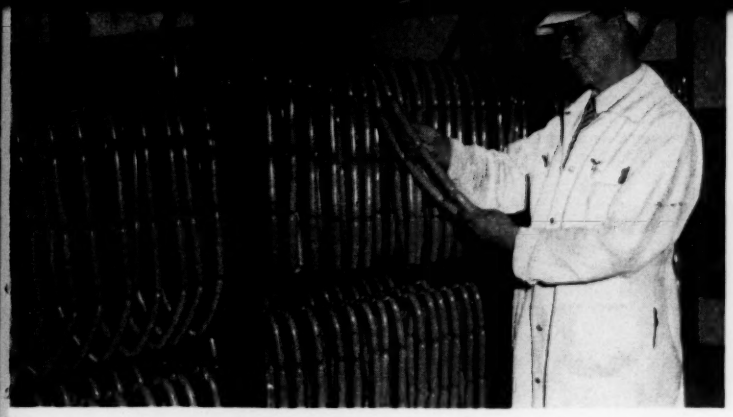
They suggest that the average man today can buy so many other products to use in his leisure, from two-toned cars to fancy fishing tackle, that he is losing the inclination to while away the time with whisky.

"Nowadays," as one Midwestern distiller put it, "when the fellows go fishing, they really fish."

—USN&WR Photo

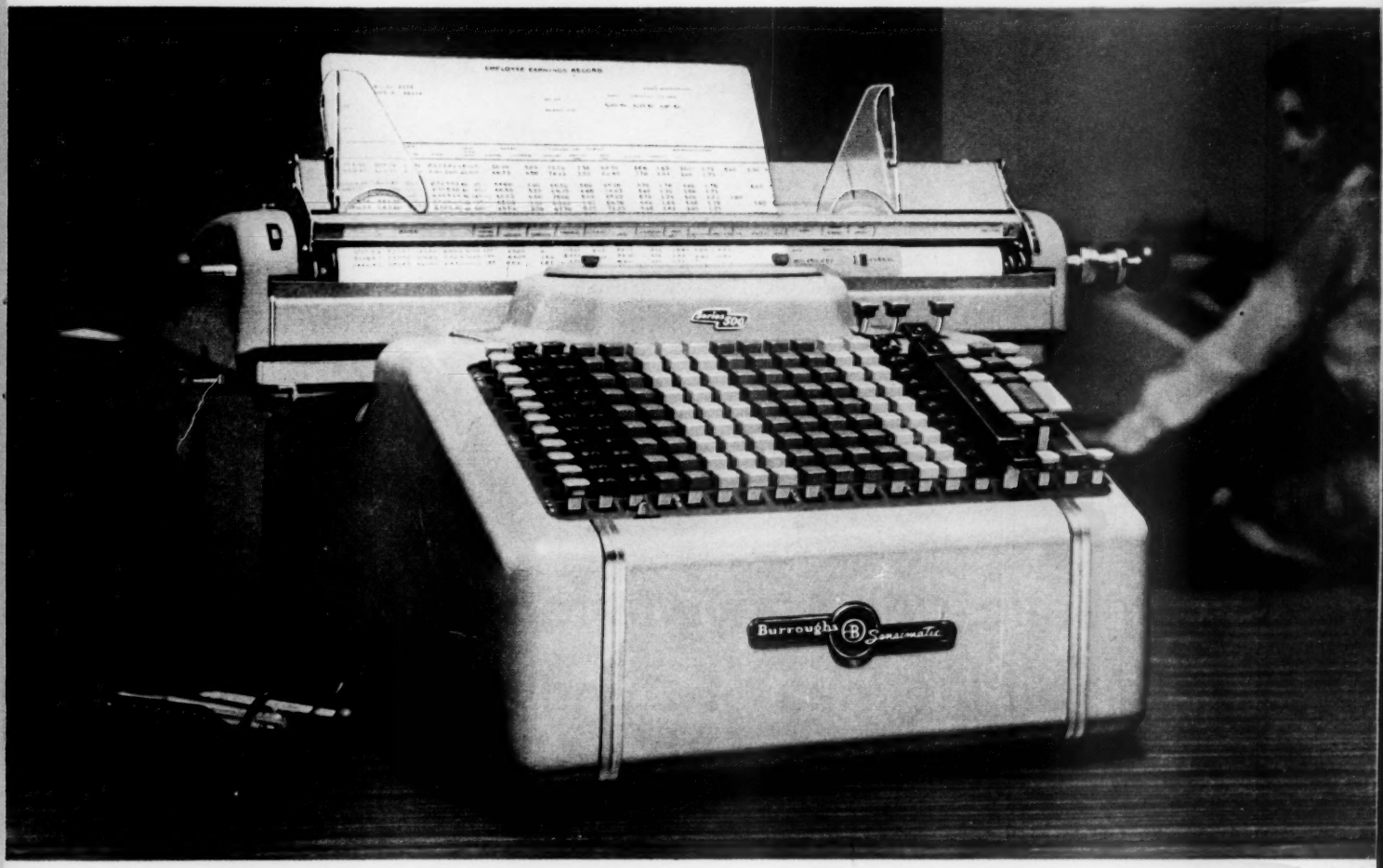
LIQUOR STORE

. . . an oversupply of some kinds of whisky



Big – like The Rath Packing Company

Or Small – like Dubs Jewelers



Burroughs Sensimatics can cut your accounting costs

Would you ever guess that a small retail store would invest in the same type of accounting machine as The Rath Packing Company?

It's happening. *Thousands* of small businesses have discovered *Burroughs Sensimatic Accounting Machines*—because these same machines that work wonders in corporate accounting can also save money for the *little* man.

Dubs Jewelers, for example, of Brunswick, Georgia, found they could *completely mechanize* with just one low-cost Sensimatic. Instead of using the machine for its exceptional speed (as Rath does) Dubs uses it as a jack-of-all-jobs — because a Sensimatic is *several machines in one.*

To be so versatile—and still have the speed that saves money on big-volume jobs—each Sensimatic is built with an exclusive, interchangeable "sensing panel" that guides each error-proof movement. With it, this machine is *more automatic*, and thus faster on any job. And, because each panel has a *four-job capacity*, it's the same as having four specialized machines. To do still more jobs, or quickly change your system, you simply switch panels.

If your accounting costs are out of line, knock them down now. Just look for our listing in your phone book. Burroughs Corporation, Detroit 32.

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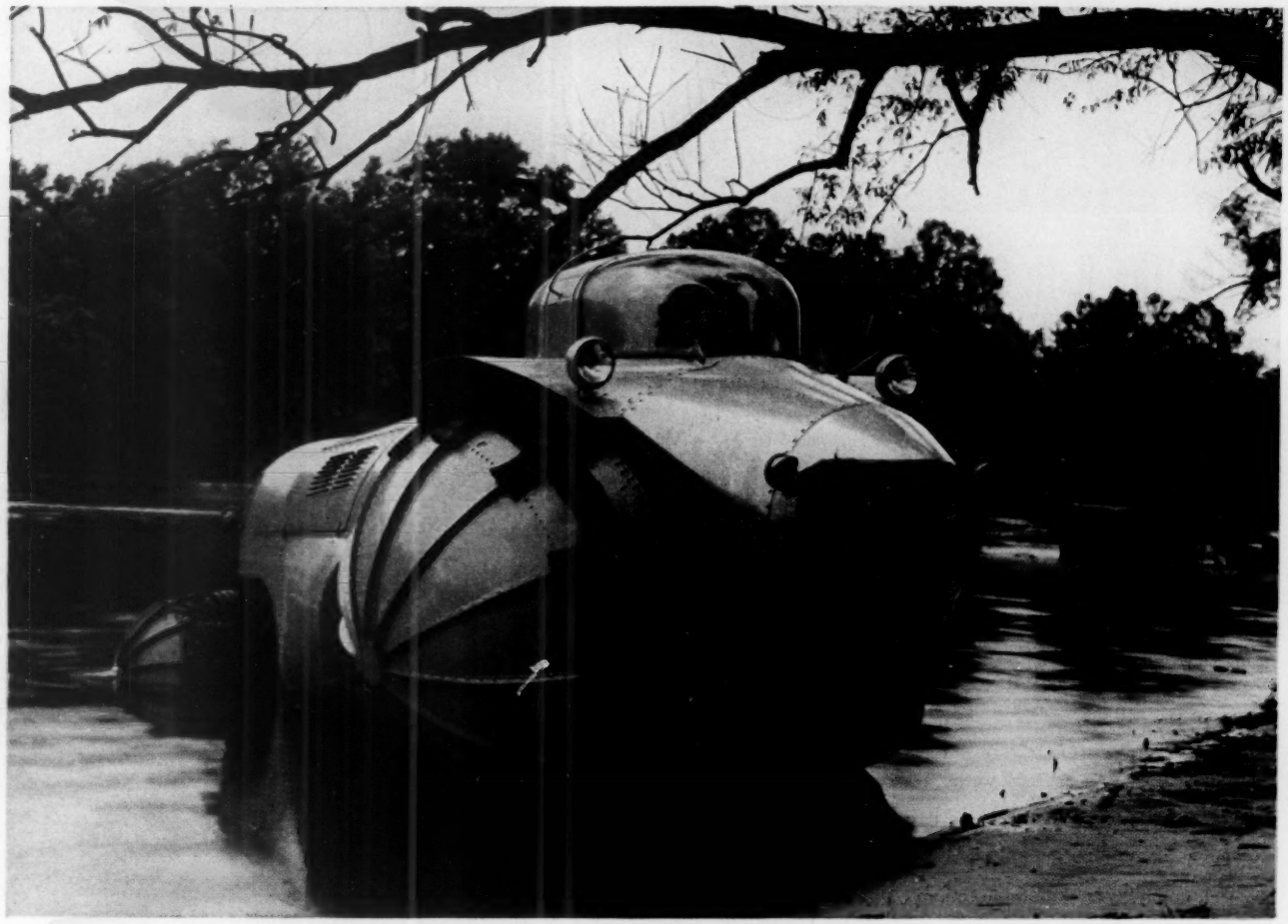
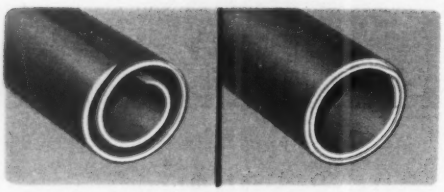
The "Rhino" goes *anywhere*—moves equally well on water or pavement, through mud, sand, swamps, or snow. With airtight hemispheroid wheels for floating, and tractor-like treads for sure footing, it opens the vast, roadless expanses of the world to easy exploration. Invented by E. P. Aghnides; built by Marmon-Herrington Company, Indianapolis, Indiana. Uses Bundyweld for oil, gas, gauge, and brake lines.



Fantastic, goes-anywhere vehicle relies on lifelines of Bundy Tubing



Bundyweld is the only tubing double-walled from a single *steel* strip, copper-bonded through 360° of wall contact. Its unique structure makes it amazingly strong and highly versatile.

Bundyweld is uniformly smooth, inside and out; is resistant to pressure and vibration fatigue. Lightweight, it has high burst strength, can be fabricated easily, bends to shortest radii.

MAKERS OF RUGGED, special-purpose vehicles, such as this weird "Rhino," naturally call for the strongest, most reliable parts available. For dependable "lifelines"—fuel, oil, gauge, brake, and hydraulic lines—most manufacturers *specify* Bundyweld Steel Tubing.

Made by an exclusive process (see left), Bundyweld has become the accepted standard for the automotive and refrigeration industries. In fact, *it is used in 95% of today's cars, in an average of 20 applications each!*

Designers the world over look first to Bundy for the finest in tubing, plus the engineering and designing assistance that make tomorrow's products better. New uses for Bundyweld are being found daily—in both fluid transmission and mechanical applications involving strength, flexibility, and low cost. Call, write, or wire Bundy, today!

There's no real substitute for Bundyweld Tubing

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FROM THE CAPITALS OF THE WORLD

BERLIN....STOCKHOLM....BELGRADE....

>> There's this about Russia's new rulers--they telegraph their punches.

Time was when Stalin's devious ways led Sir Winston Churchill to describe Soviet action as "a riddle wrapped in a mystery inside an enigma." Now the wrapping is off. You can see, clearly, what Soviet Russia does and why.

>> Russia's leaders want Germany to remain divided until Communists can win a controlling voice in any united Germany. That's not likely any time soon.

Soviet action on Germany, thus, followed this line: First, West German Chancellor Konrad Adenauer was persuaded in Moscow to establish permanent diplomatic relations with Russia. Next, the Kremlin recognized its Communist East German Government as "sovereign," the equal of West Germany.

Finally, Moscow gave Communist East Germans full control of rail, road and canal traffic into West Berlin from West Germany. That means trouble.

Blockade of Berlin now can be tried by East German Communists. If West Germany or the U.S. objects, Moscow will tell them to talk to East Germany's "sovereign" Government. Moscow's aim: to win recognition of two Germanys.

>> Russia's leaders also want U.S. forces everywhere to go home and to stay there, leaving the rest of the world as a pushover for Soviet power. So.....

Soviet action in Finland is planned to that end. Russia has promised to withdraw from what Moscow calls its "only base on foreign soil"--the base of Porkkala in Finland. Next, Soviet leaders at the United Nations ask the U.S., in return, to abandon all its military bases "on foreign soil."

>> Giving up Porkkala costs Russia little. There are half a dozen other Soviet bases on the Baltic Sea. Four of them are in Estonia, Latvia, and Lithuania, once "foreign soil" for Russians. But Soviet troops didn't take over just the bases. They took over all three countries, making them "Soviet soil."

>> As a land power, Soviet Russia has far more bases on foreign soil than the U.S. Operating from these bases, land forces on Moscow's orders have conquered countries and have taken over governments for the Kremlin.

Communist parties, the world over, are effective bases of Soviet power.

Communist troops, with Russian arms, took over Czechoslovakia, the mainland of China, half of Korea, part of Indo-China. Soviet troops weren't involved.

Communist bases are established in every country of the world. Some are secret bases, kept underground. Others operate openly. All take orders.

Communist manpower, counting only card-carrying members outside Soviet Russia, totals nearly 20 million. They are active in 83 countries.

(over)

>> The catch, for Moscow, is that Communists, the world over, are recognized now as bases of Soviet power. Few believe Communists are independent.

Tip-off on Soviet action to come, Soviet plans to change this, comes from Tito's Yugoslavia. Tito's spokesman is Decjko Vlahovic, once a member of the Communist International. He has just replied, in Communist language, to the Kremlin's appeal to Yugoslav Communists to come back into Moscow's fold.

>> Vlahovic prescribes bitter medicine for the Kremlin. He says, in effect:

Communism, old style, is bankrupt. Its enemy, old-style imperialism, is dead, too. Imperialists' colonies, such as India, now are independent. And Yugoslavia, once a Soviet colony like other satellites, is independent, too.

Communism, new style, can succeed only if the Kremlin faces the facts of life. To win friends and influence people once more, says the Yugoslav Communist, Russia's leaders must free the world's Communists, even in the Soviet satellites. They must be allowed to seek free alliances, even with anti-Soviets.

The Cominform, successor to the Comintern, must be dissolved, says Vlahovic.

>> Nobody expects the Kremlin to give up its Communist bases abroad. But Moscow's leaders can see a chance to win as allies people who can't be conquered.

Publicly, the Cominform can be dissolved, like its predecessor, the Comintern. Secretly, without the Cominform, Communists can get Moscow's orders.

With Moscow's permission, Communists can appear to act with new freedom. They can seek to join anti-Communists in labor leadership. They can even appear to defy Soviet Russia, Tito-style, if that will help them win friends.

Thing to watch for now is Moscow's new line: lip service to freedom.

>> You get an example of this in Britain's colony of Malaya.

Warfare in Malaya is being allowed to die down. Communist-led rebels weren't winning the shooting anyhow. Now they are getting less support from abroad, less aid and encouragement from Soviet Russia and Red China.

Strikes in Malaya, however, are on the rise. A British tin company has reported to its stockholders that "even if there appears to be a decline in the shooting war there is increased Communist activity in the more insidious forms of subversion." Communists, abandoning their guns, are trying new methods.

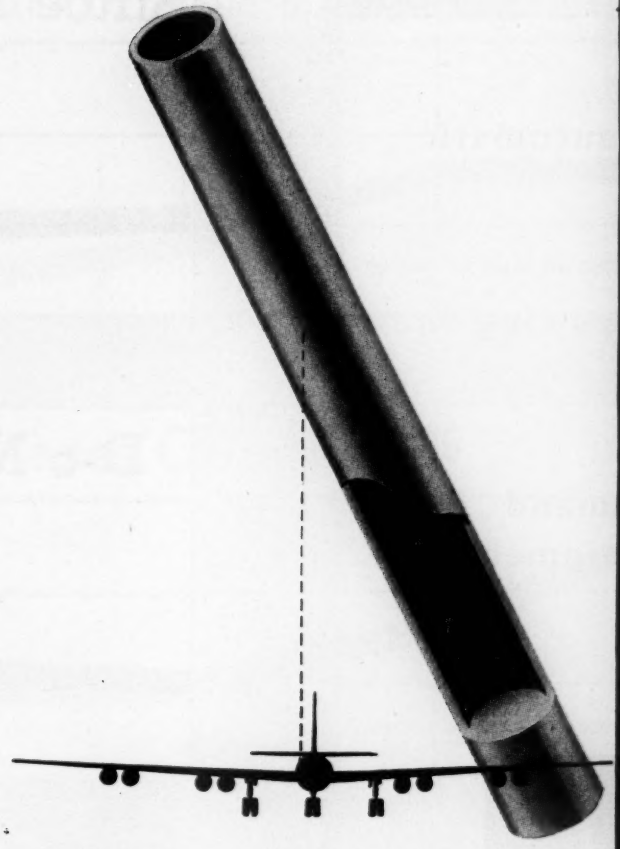
>> A Red "Robin Hood" is back home in Nepal. In the strategic kingdom between India and Communist Tibet, Dr. K. I. Singh is the poor man's hero. He led a revolt in 1952. He lost, but escaped to Red China, walking barefoot across the mountains, say his followers. Now he's back with a royal pardon.

What worries India's government is that Singh came back with trained Communists. India fears a Red "Trojan horse" might take Nepal from the inside.

>> Sweden is ending liquor rationing. For 40 years Swedes could buy only a limited amount of liquor for home consumption. This ends October 1.

A national binge is not expected. But Swedes over 21 now can buy any amount of liquor. In public they can drink beer--if they order a sandwich too.

A campaign of temperance, Government-financed, has been going for months. Illuminated signs advertising liquor are blacked out at night, outdoor signboards are veiled or painted over. Sound trucks, movie shorts tell Swedes that light wines can replace potent aquavit. The Government's aim: sober Swedes.



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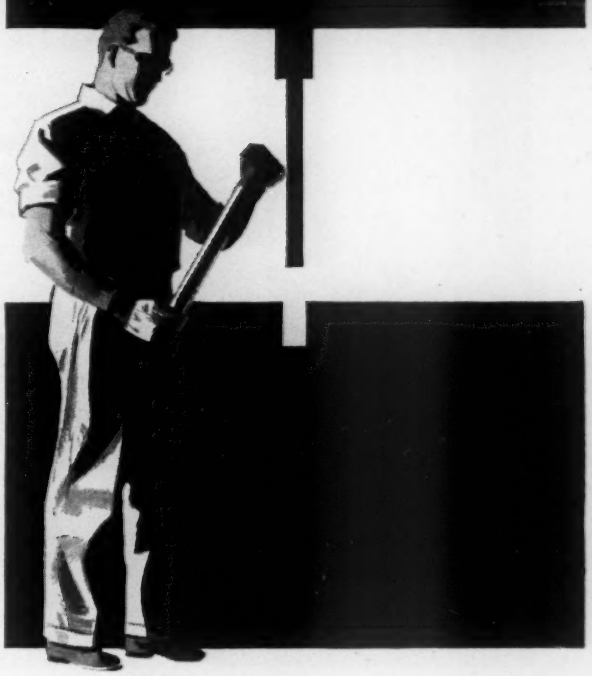
Harvey Impact Extrusions, (sometimes referred to as impact forgings or cold extrusions) can effect almost unbelievable savings in machine time, material and manpower—can increase your production rate significantly.

For example, the hydraulic actuator cylinder shown above is formed by placing an aluminum slug in a cavity, then exerting tremendous pressure downward on it with a precise punch. The cavity has the exact diameter of the outside of the cylinder while the punch has the shape of the inside of the cylinder. Thus, the closed-end impact extrusion has its final dimensions as removed from the press, needs almost no machining. And it's a stronger, lighter, sounder part than obtainable by any other process.



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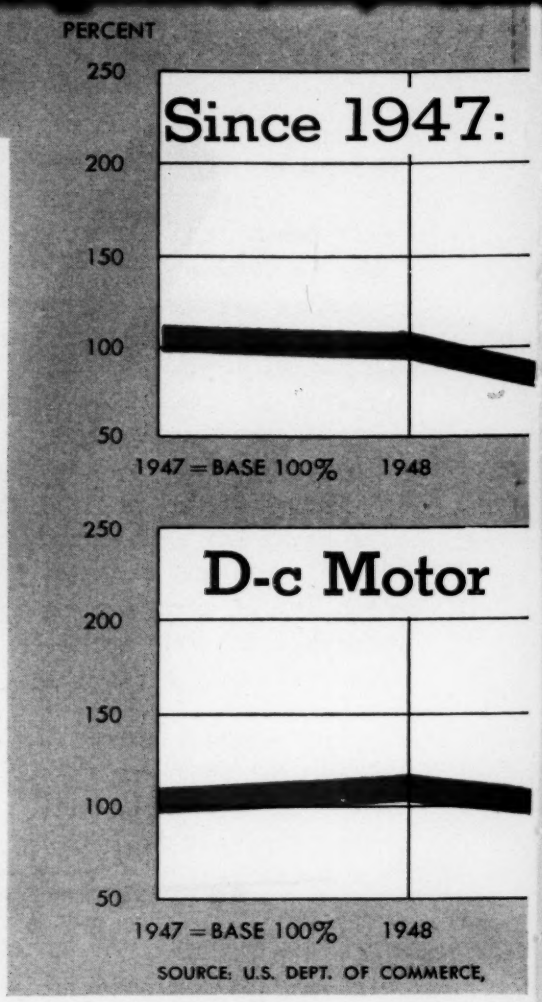
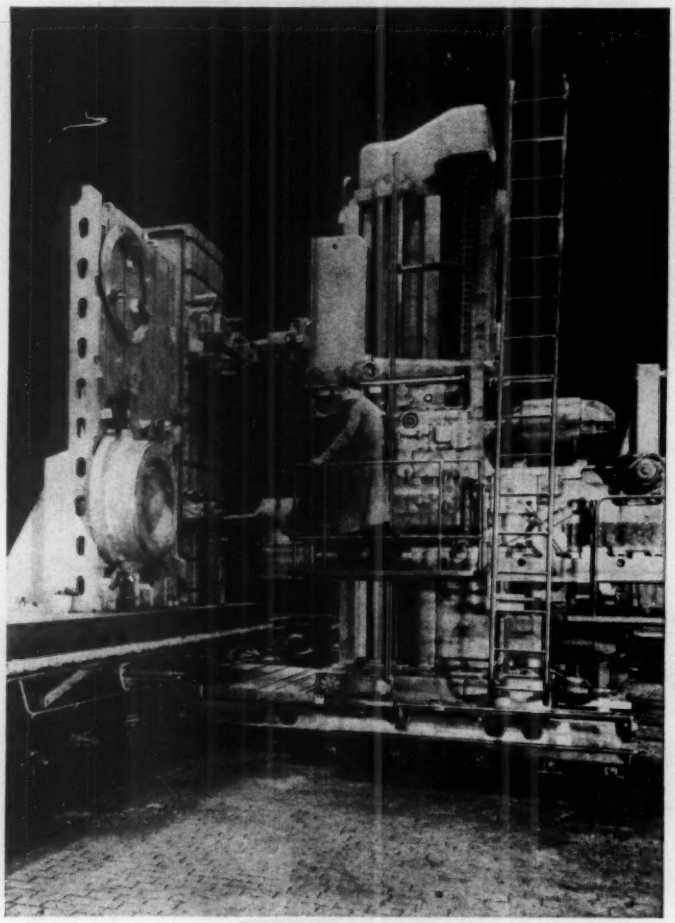
PROGRESS IN DIRECT CURRENT DRIVES

- U.S. industry is trending to automatic processes and machines . . .
- And statistics show a big upswing in d-c motor purchases.
- General Electric meets demand for high-output production equipment.





AUTOMATIC MACHINES like this boring mill use d-c drives for accurate speeds, faster output. Irregular, three dimensional shapes are machined automatically to close tolerances.

D-c Drives:

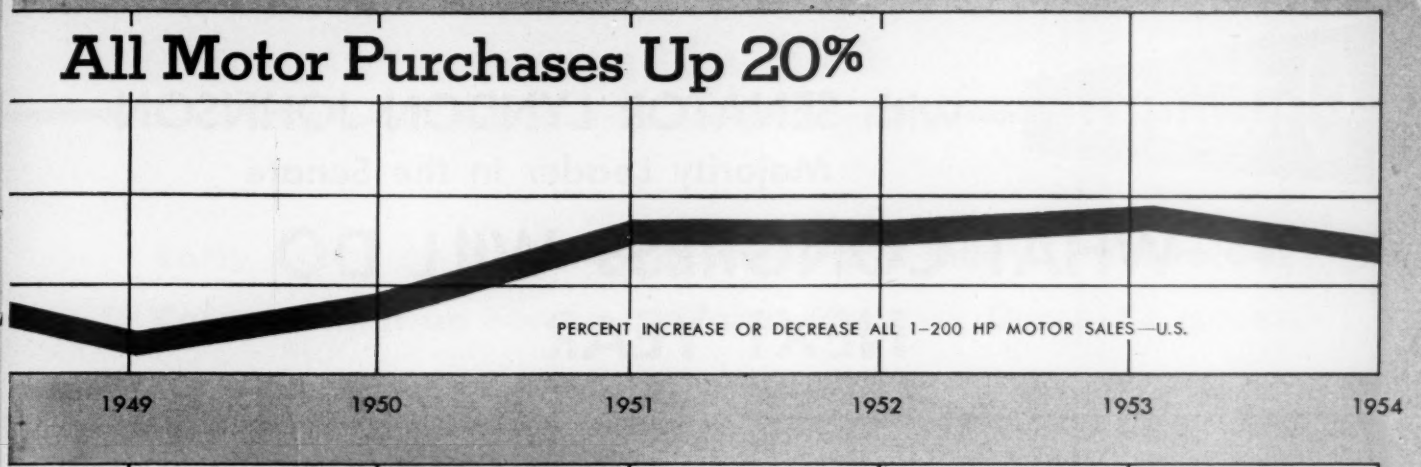
U.S. industry is moving steadily toward mechanization, automatic machines and processes—to produce more and better goods. As a result, new and unique methods of mass production are constantly being developed.

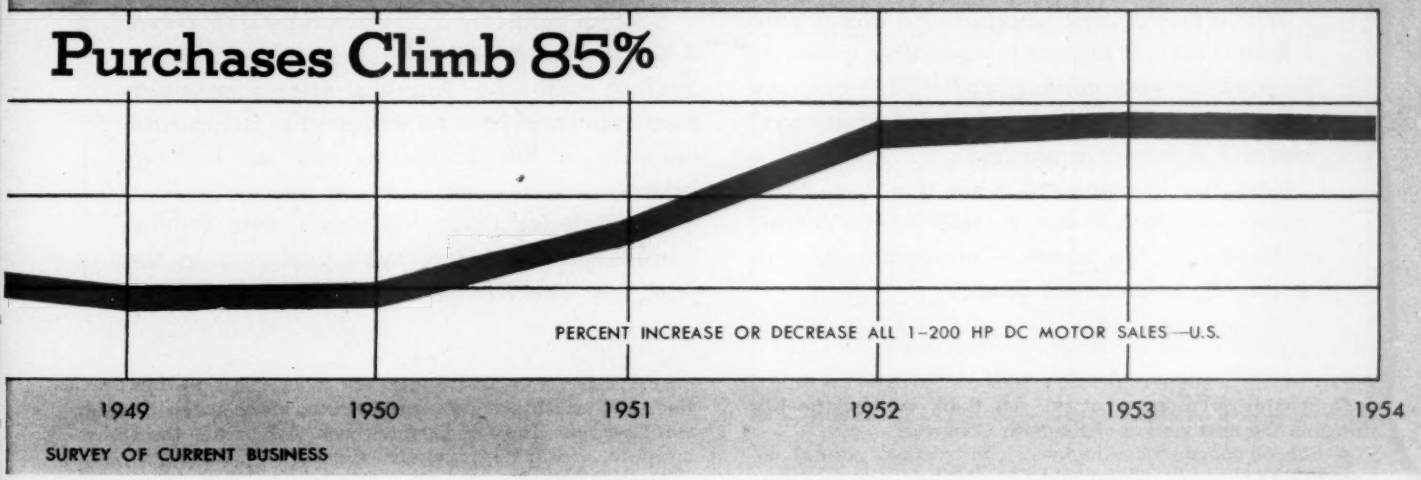
Statistics show this trend to more automatic means of production is increasing the demand for direct-current drives (graphs).

• **Reasons**—Industry has a tough job ahead. If it is to meet an increased demand for goods and services of at least 40% by 1964, with a predicted increase of less than 13% in work force, further mechanization and more continuous processing is necessary. D-c equipment provides the versatility and sensitivity required to meet future high productivity levels.

• **Why D-c for Automatic Processing?**—Thousands of recent applications dramatically show why d-c drives are ideal for automatic and continuous processes. For instance, in manufacturing rubber-coated tire fabric, the process begins with a multitude of cord spools unwinding at high speeds. After racing through several

(Advertisement)





The Answer to Automatic Production

different processes, each requiring varying rates of speed, the completed product is wound up on another set of spools. The entire operation, driven by adjustable speed d-c equipment, is automatic—from start to finish.

• **Adjustable Speed**—The drive for this production line must do two things: 1. Adjust operating speeds at various stages of the process for proper cord tension. 2. Adjust speeds to accommodate a variety of cord sizes and types. The ability to meet these demands—fast and accurately—explains the trend to direct-current motors. There is no device yet discovered that is a better, more universal source of precisely controlled adjustable speed.

• **D-c Power Readily Available**—Although few utilities supply d-c power directly, the many advantages of d-c drives should not be ruled out when considering expansion or modernization. With packaged conversion equipment—rectifiers or motor-generator sets—d-c power supply is readily available. For instance, G-E Speed Variators convert incoming a-c power to d-c in compact cabinets which install next to driven machinery or in any convenient load-center location.

• **Cost Factor**—Although the initial investment for this type of electrical equipment is usually higher than for constant-speed drives, the versatility of direct-current drives often increases machine output and quality of finished product to such an extent that over-all investment per unit of production goes down—not up.

• **Notable Examples**—D-c electronic printing-press drives add production flexibility to make practical speeds of up to 210,000 newspapers per hour. In the steel industry d-c driven cold-strip mills accelerate to full speed in 10 seconds and deliver steel strip at over 70 miles per hour. D-c log-carriage drives give the lumber industry high speed operation and fingertip control for increased board feet per hour production. D-c adjustable-voltage shovel drives enable modern shovels to move up to 60 cubic yards per bite. In the paper industry d-c sectional paper machine drives provide operating flexibility needed for high-speed, uninterrupted production of quality paper.

• **New Developments**—G-E engineers are working constantly on the development of new d-c drives to meet demands of U.S. industry for faster, more automatic, more continuous production.

• **Industry-wide Applications**—D-c drives are boosting output in industries throughout the country. Companies desiring higher production can obtain equipment selection and application help from engineering specialists in 149 conveniently located G-E Apparatus Sales Offices. *Direct Current Motor and Generator Department, General Electric Company, Erie, Pennsylvania.* 818-1

GENERAL ELECTRIC

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Interview —with SENATOR LYNDON JOHNSON—
Majority Leader in the Senate

WHAT CONGRESS WILL DO NEXT YEAR

Will a Democratic Congress go along with a Republican President's legislative plans in the election year coming up? Will it approve a tax cut? What will it do about highways? Schools? A health program?

Here is a preview of what the Democratic leadership plans to do, as told by the Majority Leader of the Senate—Democratic Senator Lyndon B. Johnson, of Texas.

Senator Johnson, interviewed by *U. S. News & World Report*, tells what his policy will be in dealing with the Administration's program next year, and how he expects the Democratic majority in the Senate to vote on the big issues.

The Senator gives his views, too, on Mr. Eisenhower's relations with Congress in the past year and Democratic prospects in '56.

Q Senator Johnson, what do you think will be the big things in the next session of the 84th Congress?

A School construction, highway construction, natural resources, the farm bill, adequate defense. A half a dozen members of the Senate Agricultural Committee will go all over this country, to the grass roots, and get recommendations from the farmers—not just farm leaders but farmers themselves; not just one leader here or one spokesman there. They are going all over the nation.

We'll have the highway bill. Of course, the present highway bill doesn't expire until July of next year, but the Senate believes that we ought to have a long-term highway program. That would involve interstate roads and secondary roads—roads for all the people instead of just the boulevard system. The Senate has expressed itself already on that by about 2 to 1.

I think the House feels the same way, but they have a question as to how the program is to be financed. The method they selected was not approved because only 29 Republicans voted for it. And, even though the Secretary of Treasury said he would go along with it, the Republican leadership decided for one reason or another that they would be against it.

Q That plan was to raise the money by direct taxes?

A The tax plan. And I think that by next January, if the President spends some time between now and then out there in Denver talking with his Republican leaders and can get more than 29 to go along, then he will get a highway bill.

At any rate, there isn't any question that on the agenda early there will be a highway bill, a long-term program that will cover interstate, secondary, farm-to-market and all types of roads. On the agenda also there will be a school-construction bill and a farm bill.

If the President and his advisers see fit to withdraw their unrealistic health recommendations and submit a more realistic health program, that problem could receive some attention. His health program was defeated even in the Republican Congress. The 83d Congress beat it 2 to 1 in the House, and it never was taken up in the Senate.

Q Will there be a tax cut next year?

A That is a matter up to the House. That's where revenue measures originate, and I'd like to reserve any comment on that.

Q Do you think the Senate will go along with any House plan on Taxes?

A I'd have to know the House plan first before commenting.

Q How early do you think they can dispose of this tax legislation?

A It is a question that originates in the House and they have to act first. I haven't discussed it with the House leaders.

I served in the House long enough to know that a Senator is a fool who starts originating tax legislation because in the House they are very sensitive to their constitutional prerogative.

Q Well, wouldn't the schedule be such that you would have to pass it before April in the Senate to have it effective? You're going to have a campaign in the autumn. You're going to have a tax bill before that, aren't you?

A We didn't get a military Reserve bill until two weeks before the end of the session. We never did get a doctors' draft bill. We just brought it out ourselves and fought it out in conference. No, there's no timetable.

As a matter of fact, one thing that has gone unnoticed is the "firsts" that this Senate has established.

The first session of the 83d Congress passed 515 bills; we passed 880. They were in session 769 hours; we were in session 515.

So, we passed a third more bills in a third less time.

Q What were the bills?

A They were housing and Reserves and highway. They

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Early Action on Highway, School, Farm Bills . . . Ike to Get Co-operation on Foreign Affairs, Fight on Domestic Issues

were minimum wage and reducing interest rates and doctors' draft. They were tough ones. And there wasn't one single filibuster or one night session.

We sat down and reasoned together. There never was a motion made to proceed to consideration of a bill that Bill Knowland [Senator William F. Knowland (Rep.), of California, Minority Leader] didn't have his initials on. There were no surprises. There were no tricks. There were no hot-airings.

I've got on my watch the golden rule: "Do unto others as you would have them do unto you." I didn't want Bob Taft [the late Senator Robert A. Taft (Rep.), of Ohio, former Republican Leader] or Bill Knowland getting up and taking advantage of me when I left the chamber by moving to take up a bill that I'd never heard of, and they never did it.

This year I would give Bill Knowland a whole list of bills and say, "This is the list of the ones I want to take up," and he would go down them and say, "O.K., O.K., O.K.," and when he would get to one that Malone or Millikin or Bricker or someone else didn't want to take up at the moment, he would put "hold" beside it. Well, there was plenty to do on the ones he had O.K.'d. So, we went on to pass those and, meanwhile, we'd work out whatever difficulty was holding up those that had been set aside temporarily.

Q Was this procedure followed in any previous session, this collaboration between the Democrats and the Republicans?

A Not to the same extent.

I never had any problem at all with Taft. We'd sit down and agree on procedure. And I never had any trouble this year with Knowland, or with any of the old-timers. By working together, we were able to do things.

Q What single thing persuaded the Senate to go along with you?

A Two things, I think. One is that this Senate had the master craftsmen of all time in charge of the committees. There has never been a Senate that has had men who were more experienced with the subject matters in which they dealt than this one.

Q What was the second thing?

A I think the patience and understanding and co-operation of each and every member. I think every one of them wanted to work together. Vice President Garner told me one time that a leader worth his salt had to be co-operative with and considerate of men on both sides of the aisle, and if he wasn't he couldn't be a very effective leader.

I treated every Republican just exactly like Ken Wherry [the late Senator Kenneth S. Wherry (Rep.), of Nebraska, former Minority Leader] treated me when I first came here and had bills to offer. I would go to him and he'd look at them and say, "What does this do here?" I'd tell him. He'd turn around and say, "Well, Texas, I like you. Go ahead."

I try to be as decent to other people as they have been to me, and when it's all wound up, you'll learn there are an awful lot of good people in this world. You don't find out about it sometimes until you get sick, but it's true.

Q You emphasize the personal equation a good deal in all this, then, don't you?

A Yes. I think that the good record of this last session can be traced to the individual good will and the personal desire of every member.

Q What is your concept of what they call the "loyal opposition," particularly on domestic issues? What do you conceive to be the duty of the opposition, whether it's Republican or Democratic?

A I think it's the duty of the opposition to carefully weigh all recommendations from the Executive: Accept those that appear reasonable and feasible and in the best interest of the country, applaud them, announce your support of them. And those that you think are against the best interest of the country—to reject them, oppose them, oppose them on principle and oppose them in a principled manner.

One of the things that I'm proudest of is that this session of the 84th Congress, where the Democrats were in a majority on a close division, was a Congress of achievement. I think this was a Congress of unity. I think that the President had more freedom and spoke with more unity behind him than, perhaps, any President in modern times has in peacetime in the field of foreign relations. I think that's because the "loyal opposition" was responsible.

When the President submitted recommendations that we did not feel were feasible, that we did not feel were for the best interest of the country, we opposed them. We opposed them vigorously at times. But we opposed them on principle, and we tried to oppose them in a principled manner. We

(Continued on next page)

LYNDON B. JOHNSON inherited a love of politics and public speaking from forebears who were legislators, preachers, educators. Born in Stonewall, Tex., on Aug. 27, 1908, he worked his way to California and back at 15, completed his schooling at Southwest Texas State Teachers College. After two years as a high-school teacher in Houston, he entered politics, won election to the U. S. House of Representatives in 1939.

Mr. Johnson saw action in the South Pacific as a Navy officer, returned to Congress. He reached the Senate on his second try, in 1948, became Democratic Leader in 1953. A heart attack in July nearly ended his career. He plans to resume his Senate duties next year.

—USN&WR Photo

THE CONGRESS: "Every Majority Leader has frequently found himself in the minority"

didn't resort to personalities, we didn't resort to petty partisanship, we didn't try to slander or smear or destroy the confidence of the people in the Chief Executive. I received some criticism because I didn't do that. The ADA [Americans for Democratic Action] on three or four occasions denounced our leadership, as did some of the other extreme groups.

But I think it's the opposition's duty to carefully consider and weigh every recommendation the Executive makes and support those that can be supported in good conscience and oppose those that can't, and when they are opposed, to oppose them on principle and oppose them in a principled manner.

Q Not for the sake of opposing—

A My close friend, Bob Taft, said one time, "It's the duty of the opposition to oppose." I told my caucus when I was nominated Minority Leader by Senator Russell and Senator Green, and subsequently Majority Leader by Senator George, that I rejected that philosophy in toto. When the President made a recommendation that I could support, I was going to take the flag and hold it high and support it with all my might; support it cheerfully and without any question. When he made one that I opposed, I was going to oppose it vigorously and, I hoped, effectively. I don't believe that there have been many roll calls where we haven't been effective.

Q In the domestic field, what would you say has been the attitude of the opposition? How would you describe the opposition on domestic legislation versus a Republican Executive?

A Well, I would say that we have attempted to be constructive.

We have reduced interest rates on disaster loans from 5 per cent to 3 per cent.

We have passed a housing bill that we think—at least, the Senate passed it and the House reduced it and passed it in modified form—that we felt would serve the best interests of the nation.

We launched a natural-resources program almost unequaled in our history. There are 107 river projects in the civil-functions bill.

The Senate passed the Upper Colorado River project bill at the estimated cost of some billion and a half dollars, which will mean a great deal in the development of the resources of the West.

We approved a bill which would launch one of the greatest highway programs in our history.

We raised minimum wage from 75 cents to a dollar, resulting in some 2 to 3 million workers receiving an additional 25-cents-an-hour increase.

We had no deaths during the session. Last year we had nine. We had no filibusters. Last year we had several. We wasted no time. We passed a third more bills in a third less time than in the first session of the 83rd Congress, and as far as I know nobody's blood pressure got high. I think I am the only victim of the Senate this year. I'm the only one who fell out.

Q Would you say that the Democrats were unified behind the President on all of his program in this last session?

A No.

Q Your unity with him was primarily in international affairs?

A I was presently speaking of the field of foreign relations.

Q In domestic affairs you had your differences—

A Yes, we had our differences on the minimum wage, we had our differences on housing, we had our differences on the strength of our armed services. We added 46 million dollars to the Marine Corps. As a result of hearings, we brought about a stepped-up increase in the production of aircraft. We had our differences in the field of agriculture. We had our differences in highway legislation. We rejected the President's bonds-for-boulevards plan by a vote of 60 to 31 in the Senate.

Now, next year, I think, one of the first orders of business is going to have to be the highway program, the school-construction program, some natural-resources legislation—probably the Upper Colorado, Hell's Canyon, the Frying Pan.

We just can't take a project for one State that the Republicans are for and a project for one State the Democrats are for. We've got to make these projects national, and there are several national projects pending.

This year we considered housing and wages and military Reserves and foreign relations. I have listed what I consider the national projects for next year. They are all important. But the vital achievement of this Congress has been national unity. What our kids are going to be reading about is that, in this year of our critical period when tensions were high, the President of this country could speak with a united voice for

a united people without the "loyal opposition" putting him in a strait jacket or hitting him over the back of the head. The Senate acted like a collection of statesmen and not like a bunch of petty politicians.

ON DIVIDED GOVERNMENT—

Q Do you think the principle of divided government is a good one, whether Republican or Democratic?

A I think that depends on the caliber of the men in both branches. I think Congress next year will unquestionably remain Democratic. The President has an appeal which his party does not have. That's why he got all of the Republicans and some of the Democrats to vote for him. But, practically every time the people have had a chance since that election, they've voted Democratic, whether it was for city office, county office, State office or national office.

Most people were somewhat amazed, and it was not in line with the traditional pattern for the Democrats to take both houses during the first term of a popular President after his first two years. Well, I think that's just a forerunner of what's going to happen next year. I not only think that we will materially increase our majorities in both the House and the Senate, but I think that we are going to elect a President.

I don't know whom the Democrats are going to nominate. I hope they nominate the best man. It's up to the delegates at the Convention to determine who he is. I don't think the people are going to vote Democratic just merely to defeat President Eisenhower, but I think they are going to vote for a Democratic President because of the achievements and the responsibility of the Democratic Party. They feel the present President is a man without a party, and I think that's true. He's one of the few Presidents that's been a President without a party.

Q Do you mean that he has need of a party, or do you mean that he has no party of his own?

A I mean most of the people never look upon him as a Republican. Most of the Republicans don't look upon him as a Republican. He's still waiting to get support on his Geneva Conference from the leaders of what he calls his own party, in the Senate.

Q You are speaking of support before the Conference?

A No, right at the Conference—his aerial-photography proposal, the inspection proposal.

Q Did he submit that to anybody before he went over? They denied that at the White House—

A Well, before the President made his proposal to the Conference, to the Russians, he consulted with the leaders of both sides. I was in the hospital in a very critical period in my convalescence, and they debated whether or not the doctor would allow the Assistant Secretary of State to come in to visit me. But he did, and I issued a statement simultaneously with the President's. As soon as his was released, I issued mine, and Senator George [chairman of the Senate Foreign Relations Committee] issued his, and Acting Majority Leader Clements issued his.

Q To go back to the point about a divided government, do you think that having a Republican President and a Democratic Congress is a sound way to administer our Government?

A I think that depends upon the men involved. You have to judge it on the basis of who's President. I think this is a safe thing to say: The Democratic Party at its worst produces better government than the Republican Party at its best.

Q Then if a Republican President is in the White House and a Democratic Congress is in power, it's all right?

A I think it depends entirely on the President and the policies that are followed. I know that if the Congress is going to harass and obstruct and play petty politics with every proposal, then it's a pretty bad business. Some people have been in the opposition so long they don't know how to be anything other than that. Now, I'm afraid that's what has happened to our friends across the aisle.

Q Well, a lot of people are wondering whether our party system can work on that basis, or whether we are going to have to have the same party in the White House as in the Congress—

A I think that the country will select a Democratic President, and I think their principal reason will be that they feel that the President now is a man without a party and they would like to have a constructive, responsible program that is supported by a President and a party that will go along with him. At present the Republican Party doesn't go along with the President.

Q You don't feel that the Republican leaders in the Congress view Mr. Eisenhower as a Republican?

A No. I don't think they have received him with any enthusiasm. As a matter of fact, he has a "man Friday" to touch them up every week. There isn't a week goes by but that they say, "Maybe something will happen and he won't run." I noticed the other day that an Administration spokesman said again that he hopes the President will run but he doesn't know, and if he can stir them up a little bit maybe the President will run. I think that's their principal interest in the President.

I think there is a relatively small number who agree wholeheartedly on the program of Mr. Eisenhower. They support him reluctantly. I've seen it in foreign relations and the trade program. That's why I say he is a President without a party.

Q You, of course, favor a Democratic President and Democratic Congress in '56, then—

A I believe the Democratic Party will nominate the best man available. I expect to support him.

Q Your party-leader position doesn't require you to support any pre-Convention candidacies?

A Nothing is required of me except my judgment of what's best for my nation. There are good, honest men who think that the best interests of this nation can be served by an ultraconservative, reactionary Republican President, and they are just as patriotic and just as honest in their belief as I am. I think the best interests of the nation generally lie in the Democratic Party, and I want to work and produce the best program I can for that party and I want the best man to lead that party.

DEMOCRATS "PROGRESSIVE"—

Q How would you define the Democratic Party now? Would you call it a liberal party, a radical party, conservative?

A I'd say it is a progressive party without being radical, a prudent party without being reactionary.

Q Would you say the party is committed to public ownership by its attitude toward power?

(Continued on next page)

. . . "I think some information was suppressed on Dixon-Yates"

A Not at all—no. I think the majority of Democrats feel that we should develop the nation's natural resources, and I feel that the majority of both houses and the majority members of the party, whether Senators or in other positions, feel that the power policy represented by the Rural Electrification Administration should not be destroyed or suppressed as recommended by the Hoover Commission. The Democrats almost to a man would oppose the Hoover recommendations on the REA. On the other hand, I think that the Democratic Party believes that there's a place for both public and private power in this country.

DIXON-YATES "SHENANIGANS"—

Q Do you think the Dixon-Yates controversy will be an issue in the campaign?

A Well, I don't know. The shenanigans that took place in the Dixon-Yates case in an attempt to cover up has destroyed confidence among the people. I think a lot of good citizens will wonder why the President's assistants didn't give him all the facts. He said that everything would be made public, and then it turned out that this Boston banker, representing a Boston bank with his right hand and the Government with his left hand, was on the inside working out this whole thing and he wasn't even recorded in the papers made available. I think people were at least disappointed and the whole thing will be thoroughly discussed.

Q Do you think the Democratic Party would favor having the Tennessee Valley Authority build all the necessary power plants?

A No. I don't know what you mean by "all necessary power plants." Memphis is going to build its own power plant. I think that's satisfactory to the Democratic Party.

Q Didn't the Democrats advocate a substitution for Dixon-Yates and to give TVA the money to build the needed plants?

A I don't know that the Democratic Party has committed itself one way or another. All I know about this situation is that the Administration made an affirmative proposal on the Dixon-Yates contract, and there were some questions raised about it.

I thought the President wanted to make the whole thing open and aboveboard and public. I think some of the information was suppressed. Subsequently the city of Memphis said it would build—that, rather than be forced to take power from Dixon-Yates, it would build its own plant. The President then said that he wanted to take a new look at the contract. This was the Thursday evening before my attack on Saturday. On that evening I said that if the President was going to take a new look at it, the Congress ought to take a new look at it. So, we provided in the appropriation bill the next morning that the 6.5 million dollars approved by the House for Dixon-Yates would be available only if Memphis failed to build its own steam plant.

I think that was a satisfactory solution. I do not think that the method and procedure of handling Dixon-Yates is a model of good administration.

Q But with the principle involved, would you say that your party favors public ownership?

A I would say that my party believes that there's a place in America for both public and private power.

Q You would not exclude private ownership?

A Certainly not, if the procedures are proper. I've always been a champion of it. It's in my State and other States, and I think there's a place for both in our economic structure. I've supported it and advocated it.

Q That is the Republican position, too, is it?

A Well, the Republicans will have to speak for themselves. I haven't seen many Republicans advocate much public power and much development of our natural resources. It seems to me they had ample opportunity to develop the Tennessee Valley, and they didn't do it. They had ample opportunity to develop the great Northwest, and they didn't do it. Some of them have gone along with public power development, but they have dragged their feet. They haven't been overenthusiastic. They have now taken the position that their State shouldn't be taxed for the development of the Tennessee River or the great Northwest.

Oh, they'll support the Colorado project that doesn't have much power in it, that costs a billion and a half dollars out of the federal treasury. But so far as Hell's Canyon that cost 350 million and has a lot of power concerned, they say "No."

Q Do you think the Democrats as a party would support the Hell's Canyon project?

A I think the majority in both houses will offer substantial support for Upper Colorado or for Hell's Canyon and for the Frying Pan project—all because we think a good natural-resources program nationally ought to be developed. I don't say that they will approve them all at once, but they will appraise them and the programs will be taken up each year as the money is available.

Q Is the theory there that private interests couldn't develop those properties?

A I think that's pretty generally true.

PRIVATE VS. PUBLIC ENTERPRISE—

Q In other words, where the private can't do it the public shall do it?

A I wouldn't say they "shall." But when private enterprise doesn't do it and doesn't fully utilize all the resources to the best interests of all of the area, then the public ought to take another look. It may be that they "shall not." I wouldn't say they "shall," because it may not be feasible at all.

I have been dreaming for years of bringing navigation up the Colorado River in Texas. They used to run steamboats up to Austin. But I never have been able to get the engineers to go along with me and say that there'd be enough transportation to justify it. Unless and until I can be assured that this is a useful project, I wouldn't advocate it. I think there are enough projects in that classification.

Q What is the position of your party on the Taft-Hartley Act?

A Well, I can't speak for the party on these things. I speak only for myself. But I can say the Democratic Senators voted to recommit proposals that had been made to change the Taft-Hartley Act.

Q All the Democrats voted together on that?

A And some Republicans. As a matter of fact, an increasing number of Republicans have been joining us.

Q What was the reason for recommitting that bill?

A I think the Senators felt the proposals were largely political.

Q Do you look for any action on it next session?

A Not next session.

Q Do you consider the position of party leader in the Senate requires a responsibility to the Executive when your party

is in power? What do you consider the leader's responsibility when your party is not in power?

A I don't see any difference between the responsibilities. I can't conceive that a party leader's responsibility, whether he's Majority Leader or Minority Leader, is to nominate a candidate or elect a President. He has a responsibility to his country and to the sovereign State that selects him, and his responsibility to his country and State is to do what's right.

Now, in doing that a party leader in the Senate can weld together a unity among rather extreme groups within the party itself, and in order to do that it's necessary to have an understanding in the terms of the prophet Isaiah: "Come now, let us reason together." But I have never accepted it as the responsibility of the party leader to turn the Senate chamber into a convention hall for the purpose of nominating a President, or to turn the Senators—even if I could—into a bunch of precinct captains.

In frankness, I must say that, all of them being practical realists and political men, they are aware of the public reception to a public question, as they should be in a democracy. But I have never asked any member of my party, at any time, to do anything that he didn't feel that he ought to do, just to be with me, and I have never expected as leader to be forced to vote with any substantial number of my colleagues just because they happen to represent a majority.

I frequently have found myself in the minority of the minority when I was Minority Leader. Now, I think the Minority Leader or the Majority Leader owes the President a responsibility—whether he's Republican or Democrat, whether it's Eisenhower or Roosevelt or Truman or Wilson—to give careful, thorough consideration to the recommendations of the Executive and then to mold those recommendations into a form that we think is best calculated to serve the best interests of our people.

Q Well, a widely held belief is that if your party, for example, should win the White House in '56 and you're the party leader, you would be bound to take the programs laid before you by the President and support them, irrespective of your convictions. Do you agree with that?

A That's nonsense. I certainly don't, and I don't think that's the popular conception at all. And I don't think history would support it. As a matter of fact, I don't think there's any President in modern history who has received as substantial a degree of support from a Congress as this so-called Republican President has received from the Democrats. I am prepared to establish that the Democratic Congress passed more bills in less time under a Republican President than a Republican Congress did.

INDEPENDENCE OF SENATE—

Q The reference was specifically to the point that is being made in many editorials throughout the country—that whenever the Majority Leader differed with the President, he should resign. That has been said all through the past several months. If your party were in power in the White House, would your concept be that the Senate is an independent body, or is it responsible to the White House?

A It is an independent body, responsible to the sovereign States which selected the Senators, and the Senators have responsibilities to the Administration in power, whether it's their own Administration or another Administration, to respect it; to be courteous; to give thorough consideration to its recommendations and to evaluate them and act on them. But there is never a responsibility to be a blank check.

Q Do you think that a party leader who finds himself in disagreement with the White House has an obligation to resign and turn the leadership over to somebody more in agreement?

A Certainly not. I think that's a ridiculous suggestion. I think the party leader is the leader of the Senators who've selected him. I shall certainly not ask any member of Congress to sacrifice any convictions in order to find himself voting with the Majority Leader, nor does the Majority Leader expect to sacrifice a principle or conviction that he has in order to find himself voting with the majority view. On one of my first votes as Minority Leader, I was in the minority of my own party.

Now, there are always people who are troublemakers. In order to make news, as you good newsmen know, it is necessary to promote a little fight. I put out a statement on the achievements, the accomplishments, and the first thing the reporters will do is to run to my counterpart and say: "Can't you challenge this?" or "Don't you want to blast this?" And the first thing you know you've got a fight going. That makes news. They do that between the legislative and the executive. I think that we have a responsibility to the President, whether he is of our party or another party, to be courteous, to be respectful, to be considerate, to weigh his recommendations and to act upon his recommendations—but never to be forced to embrace them in toto. As I said one time, the people didn't elect a Congress to take orders like a bunch of second lieutenants.

PARTY LEADER'S LOYALTY—

Q How do you feel about the instance of a Senator who may be the leader and who finds himself out of harmony with his party simply because he represents a State where some issue may arise that would put him in disagreement with most members of his party? Take a tariff issue, or something of that sort—do you feel that as party leader his position is in any way jeopardized because he's got to look out for his State?

A No. I think every Senator has got to vote his own conscience and his own convictions.

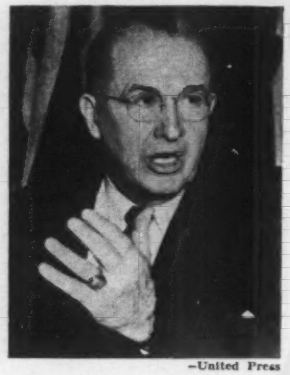
Q Should he in that case turn the leadership over temporarily to some other man as an acting leader on that issue or that bill?

A I think if a Majority Leader or a Minority Leader is constantly finding himself out of tune with the majority of the members of his party, then he would probably engage in a little introspection and submit it to the wishes of the majority. But every Majority Leader has frequently found himself in the minority. He is not selected because he represents the majority views. He is selected because they have confidence in him as the manager.

In the old days, as the journal shows, they didn't call them "leaders" at all—they called them "managers." They would just manage the procedures of the Senate. And that's largely what he is. He cannot reprimand a fellow Senator. He cannot take any privilege away from a colleague. What can Lyndon Johnson do to discipline Walter George or Harry Byrd or Richard Russell or Carl Hayden? The only way I can appeal to Byrd—and I consider Byrd one of the great men of the Senate, as I do George and Russell and Hayden—is by logic and by facts. That we do, and that's why we can vote together on so many occasions.

THE MAN ... Ezra Benson

THE NEWS ... On the Spot



—United Press

Farm Vote or Not, No Miracles Promised

Piles of wheat and cotton, falling farm prices are creating alarm among Republicans. In their demands for a remedy, Mr. Benson, a man of firmness, again is a political target.

EZRA TAFT BENSON, just back from a European trip designed to pry open some markets for American wheat, cotton and other surplus farm products, finds himself squarely in the middle of a political controversy that has given him trouble for nearly three years.

Mr. Benson is Secretary of Agriculture. Like most Secretaries of Agriculture for nearly 35 years, he has the task of trying to solve a farm problem. Just as have the Secretaries before him, Mr. Benson is finding it less than easy to assure the prosperity of the farmer. And, what with both parties playing for the votes of the farmers, the job keeps getting into politics.

Now Democrats are unlimbering their artillery for the presidential campaign of 1956. Mr. Benson and the farm program are becoming prime targets. Democrats are setting up study groups, polishing up statistics. There is a new cry that the Secretary is "Bensonizing" the farmer. The farm belt is hearing the first echoes of the slogan: "Vote Democratic—the farm you save may be your own."

All of this is a part of the effort to place upon Mr. Benson the blame for the fact that farm prices are down at a time when the things that the farmer buys are costing more. In general, the Secretary is caught by a basic sort of trend that, except for wars, has been under way ever since 1920. Mr. Benson fell heir to a problem that all of the plans of the past have not been able to solve.

The farm-belt fight is going to be worth watching. In the person of Mr. Benson, the Republicans have a Secretary who does not bend easily. His background is a religious one in which promises are not given lightly. He regards a promise as a bargain to be fulfilled. Consequently, he is not trying to outpromise the politicians. He simply says the farm economy is sound, that he expects to see some improvement in farm prices and that he expects the farmers to be helped by legislation now being prepared by the Administration.

Mr. Benson's attitude toward the problem is that it was a long time in the making and is not going to be solved overnight. He feels that only time will cure the situation in which too many inefficient farmers are working poor land. Moreover, in the view of Mr. Benson and his aides, the high level of farm activity maintained during war years makes it harder to get the farm picture back into focus. One of his aides stirred controversy by speaking of the wartime prosperity as a "dream world" which no one expected to last.

So far as Mr. Benson is concerned, it is all right if the farm problem becomes a major issue in the next campaign. Farmers "are not going to be stampeded," he says. The Secretary feels that he can explain the situation and win their support.

Mr. Benson's own view is that the accumulation of farm commodities, taken over by the Government under high farm price supports, has helped to force down farm prices. The surpluses of wheat, corn, cotton and other crops were bought under a program of supporting prices at 90 per cent of parity. In spite of his efforts to get rid of these surplus products, the Government still holds about 7.1 billion dollars' worth of them.

—Long in the Minneapolis Tribune

"CONTROL YOURSELF, BOY!"
Mr. Benson isn't worried

Too much aid? With the turn to flexible price supports, which now are being lambasted in the political arena, Mr. Benson feels that a step has been taken in the right direction. These, he thinks, can be better adjusted to the needs of the markets. His own view always has been that the farmer should rely more on his own efforts than upon Government payments.

"If for the last 40 years we had had a high, rigid support on harness," he once said, "we would still have a thriving harness business and be up to our necks in harness."

Already, Mr. Benson is taking his farm fight to the country. He told farm-equipment men in New Orleans that prices on farm machinery should not be raised now. He said large parts of labor's increased wages and industry's higher profits is being enjoyed at the expense of

(Continued on page 64)

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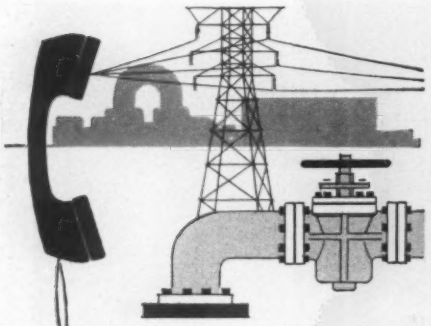

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. . . Mr. Benson: "automatic" target of the farm blocs

agriculture. He added that high wages and profits in food processing and handling keep consumers from getting lower prices when farm prices fall and prevent markets from expanding for the farmer.

This drew an instant outburst from labor leaders. Secretary of Labor James P. Mitchell said the Benson speech had not been cleared in the Labor Department. Mr. Mitchell said he did not know whether wage increases had contributed to lower incomes for farmers, that he was no farm expert.

A note of desperation is rising from Republicans in the farm belt. Some are urging that Mr. Benson resign. Others are calling for quick and drastic action for the aid of the farmer. One says that, unless the downtrend of farm prices is reversed, Republicans will lose so many votes in the farm States they cannot hope either to elect a President or to win control of Congress in 1956.

Presidential support. There is no sign, however, that Mr. Eisenhower is wavering in his support of Mr. Benson. The President twice has turned down offers by Mr. Benson to resign. He gives every indication of standing firmly back of Mr. Benson. The Republican National Committee is taking a general line in defense of Mr. Benson.

The Secretary of Agriculture has been a political target ever since he came into the Cabinet. Even the geography of his selection was against him. The big farm blocs of the country rest upon the corn-hog and wheat States of the Middle West and the cotton States of the South. He comes from Utah, a State where farming interests are diverse.

Moreover, Mr. Benson is a man of stout convictions, deeply religious, one of the apostles, or ruling elders, of the Mormon Church. All through his life, his work in the church has gone hand in hand with his public activities.

Before he went into the Cabinet, Mr. Benson had a long talk with Mr. Eisenhower. He told the then President-elect that he was not sure he was the man Mr. Eisenhower wanted. Mr. Benson had supported, although not prominently, his distant relative, the late Senator Robert A. Taft, for the Presidency. He made this clear to the President-elect.

Mr. Benson also told Mr. Eisenhower he did not feel that a man of his religious convictions should take a place in which he might have to compromise his principles for political expediency. He had firm views about the farm problem and he knew that those views might not prove popular. Mr. Eisenhower assured Mr. Benson that he would not have to compromise his principles.

A farm background. Mr. Benson's views on the farm problem come both from his environment and his experience. He grew up on a farm in an atmosphere of thrift and hard work. He learned farming as a boy, at several colleges, as a county farm agent teaching farm practices to others, as an organizer of farm co-operatives, and as a Washington farm lobbyist, spokesman for a farm organization.

Those who know Mr. Benson well say that there has not been a time since he has been in Washington as Secretary that he would not have preferred being back in Utah, working studiously and prayerfully for his church. In 1943, he gave up a post paying $40,000 a year to return to his home State and become an apostle for the church, a place that paid only a living allowance of $6,000.

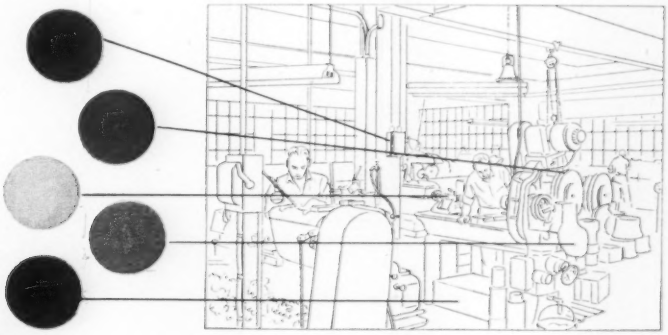
As a lobbyist, he handed out no drinks or cigars. He does not drink alcoholic beverages, or even coffee or tea, eats little meat. As Secretary of Agriculture, he is seen more often at church than at cocktail parties. When he goes to the latter, he does not walk around with an empty glass; he makes no pretense of drinking. Staff meetings at the Agriculture Department open with prayer.

Away from the Department, Mr. Benson, at 56, likes horseback riding and the outdoors. He keeps busy with his church, with Boy Scout and 4-H Club work. One evening a week is set aside for a family gathering with his wife and the six Benson children. There is Bible reading, as well as singing and games.

Calm, prayerful. Politicians, in general, make little claim to understanding of a man like Mr. Benson. They find him calm, serene and relaxed, even under pressure, and impervious to the usual political approaches. His policies are arrived at after prayer, and he has a rugged confidence in their rightness. Once they are put before the farmers properly, Mr. Benson is sure they will find support.

So Mr. Benson goes back and forth across the country, asking questions, studying conditions, telling both hostile and friendly audiences how he feels about the situation. Not all have agreed with him, but most farmers have learned to respect him.

Democrats, banging away at Mr. Benson, had hoped to sweep the farm States in 1954. They did manage to pick up a few seats there; but there was no farm revolt. Now they are trying the same line again. But Mr. Benson stands firm. He says: "I am busy trying to do the best job I possibly can for our farmers, and am not worrying about tenure."



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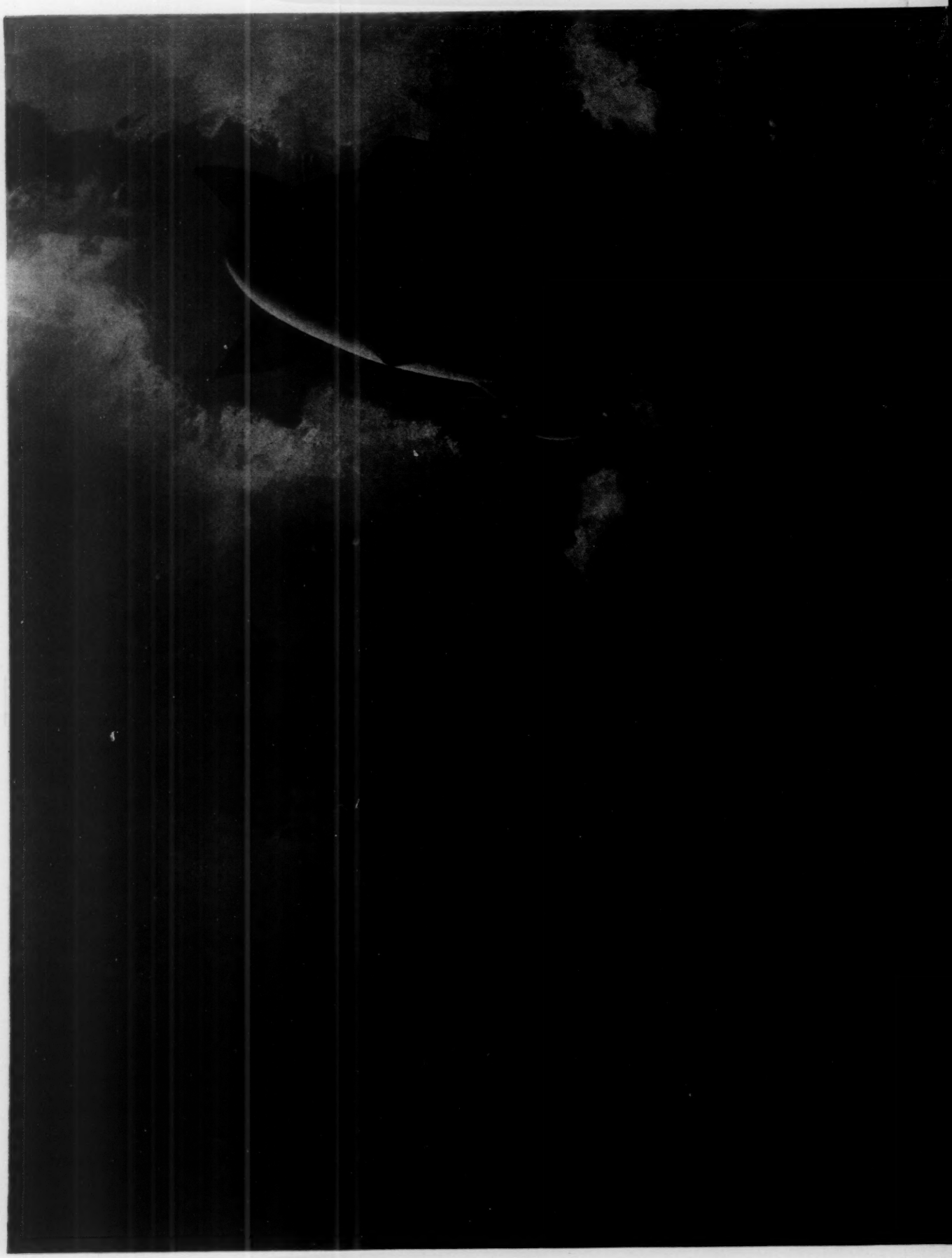

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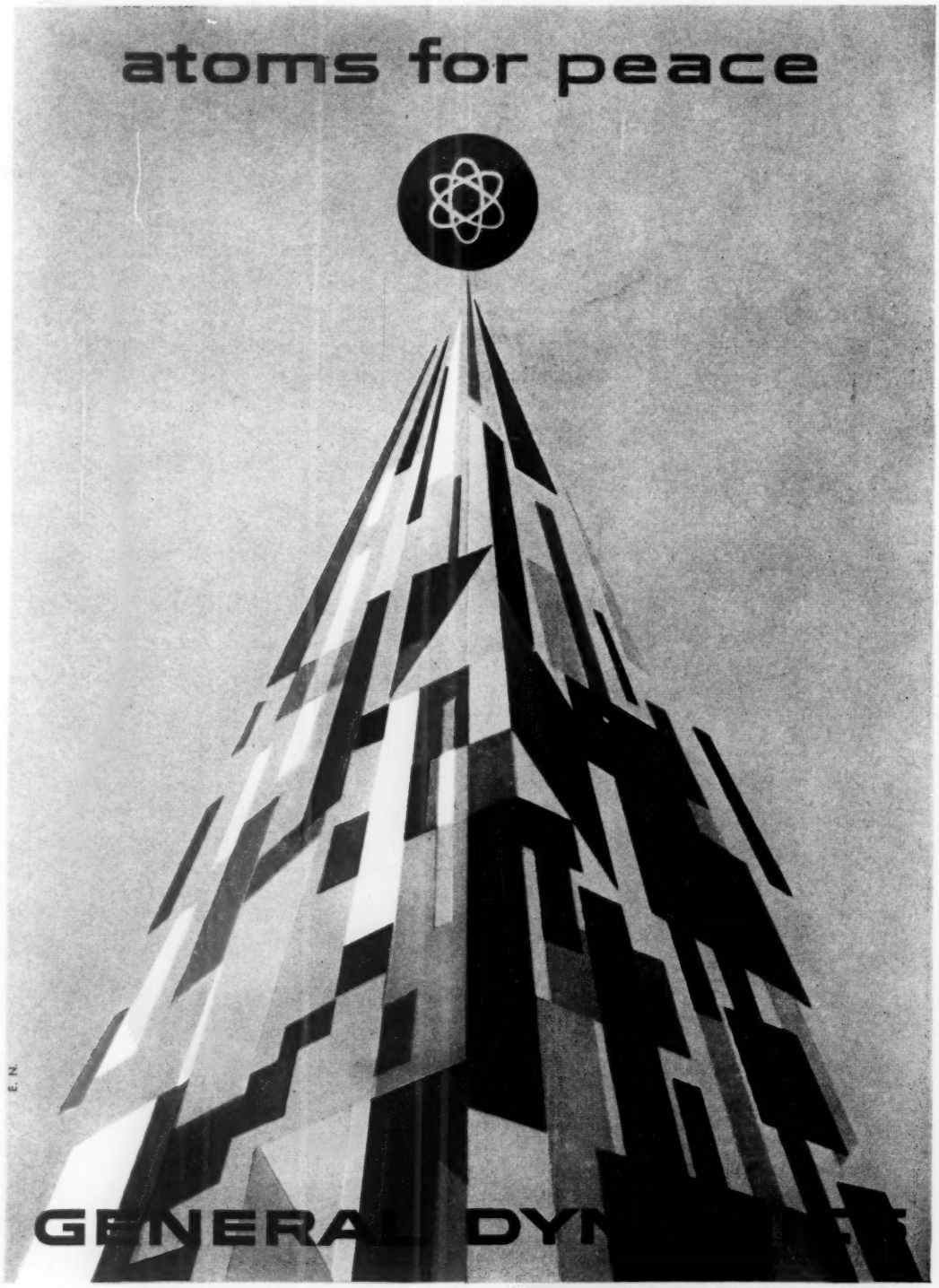

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Special Report

(This article represents the result of an extensive research on a problem of outstanding importance.)

STILL HIGHER TAXES FOR NEW HIGHWAYS?

To build more roads, there are plans to increase taxes on motorists and other highway users.

Yet official studies show that a big chunk of these taxes is not going into roads.

Such problems have got the highway program in trouble.

A showdown is approaching in the fight over how to raise money for better roads and streets.

The public, already paying more than 8 billion dollars a year in highway taxes and local street assessments, faces the prospect of these levies being made still heavier.

Already, various taxpayer groups are squabbling over who should be hit hardest by any increase.

A decision, so far as the Federal Government is concerned, is expected in the 1956 session of Congress. President Eisenhower is pressing for action on his 10-year plan for 100 billion dollars' worth of street and road construction, about twice the amount of new building now in prospect.

The plan was stalled in Congress this past session because of the dispute over how to raise the money. Representative George H. Fallon (Dem.), of Maryland, chairman of the subcommittee that handled this legislation in the House, has asked the Bureau of Public Roads to report on money-raising plans by January 1.

A new look, therefore, is being taken to see just what the taxes are now, who pays them, what happens to them, and whether any special interests are favored.

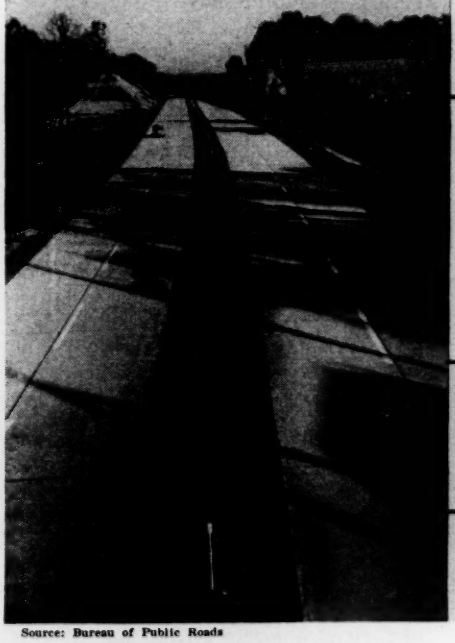
The chart on this page, based on Bureau of Public Roads estimates, gives the overall picture. The main facts are these:

- Motorists and others are paying more than 8 billions a year in street and highway taxes but getting only 7.5 billions of street and highway services.
- That amount includes 4.6 billions of new construction and 2.8 billions for upkeep, highway police, interest on bonds, tax collections and administration.
- A large part of the expense is paid with borrowed funds. One reason: About 25 cents of every tax dollar is not being used for roads but to pay for other Government programs.

Diverted funds, if put into construction, would take care of about half of the increase in road building that the President wants. This assumes that revenue from present taxes will increase over the years.

There has been pressure to get the governments to use all of the highway taxes to pay for better highways; the argument is made that taxpayers feel that this is what they are paying these taxes for.

Officials point out, however, that a shift in funds would not solve the problem. Money for roads still would fall short of what the President's program contem-



ROAD USERS' TAXES— What happens to them

In the entire United States in 1955:

Federal, State and local governments are spending on roads and streets . . . $7,473,000,000

The public is paying—

Taxes, license fees, other levies for use of roads . $6,860,000,000

Local property taxes and assessments for roads, streets and bridges . . . $1,180,000,000

Making total revenue for roads and streets $8,040,000,000

BUT of that amount, this much is being diverted to nonhighway uses $2,130,000,000

Leaving this much revenue for highways . $5,910,000,000

SO, in order to cover highway expenses, the governments are forced to borrow . . $1,563,000,000

Source: Bureau of Public Roads

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[continued]

STILL HIGHER TAXES FOR NEW HIGHWAYS?

plates. At the same time, there would be need to raise other types of taxes.

You see that fact when you look at the Federal Government, the biggest diverter of highway funds. It expects to collect more than 2.5 billions in taxes from highway users this year and to contribute only 771 millions to the nation's highway program.

That means that almost 1.8 billion dollars is being used to help pay for other things. If the 1.8 billion is used for roads, the Treasury will have to borrow more money, increase income taxes, or cut down on such things as farm benefits, business aids, veterans' benefits, defense.

The President's plan proposes to use more of the highway revenues for new roads, but not all of them. Borrowed money would be used for much of the cost.

That feature of the plan has been opposed by Democratic leaders and some Republicans in Congress. They propose, instead, an increase in taxes, but they haven't been able to agree on how much should be imposed on the great mass of motorists, how much on truck and bus operators.

The table on this page shows how the tax money now is being raised.

Biggest chunk of revenue comes from taxes on oil and gasoline. These are expected to bring in more than 3.5 billions this year, with about one third being collected by the Federal Government.

Legislation considered in Congress would have increased the federal levy from 2 cents a gallon to 3 cents.

The Federal Government expects to collect nearly 1.5 billions from excises on new cars, other vehicles and equipment for them. These taxes are paid by manufacturers but are passed on to the consumer. The tax for a $2,000 car, with radio and heater, is about $146.

State and local registration fees, drivers' licenses, taxes on truck and bus companies, fines for traffic violations and similar levies are estimated at more than 1.3 billions.

In addition, the counties and cities are raising nearly 1.2 billion from property owners in the form of assessments and the like for roads, streets and bridges.

Who pays the taxes is a source of argument.

Estimates by the American Trucking Associations indicate that truck operators of all types, including farmers, paid about one third of the State taxes and about one fifth of the federal taxes in 1954.

That would mean about 28 per cent of State and federal taxes combined.

The share paid by motorists would be most of the remaining 72 per cent.

However, the ATA figures do not take into account the local assessments. If they were included, the truck share of the tax burden would be smaller.

Heavy increases in taxes paid by trucks and buses were provided in the legislation that bogged down in Congress this year. For example, the tax on diesel fuel would have gone from 2 cents a gallon to 4 cents.

Opposition of trucking companies was cited by lawmakers as a major reason for the stalemate that developed.

Congress was faced with this problem: If truck taxes were raised by smaller amounts than proposed, the taxes paid by motorists would have to be raised even more steeply. Resentment of the ordinary voter was feared.

What share of the cost of roads should be paid by motorists, truckers and others has been estimated in various ways, but no formula is widely accepted.

The Government tackled the problem in 1940. A study by a now-defunct office indicated that trucks were responsible for about 31 per cent of the cost of building and maintaining roads and streets. But the researchers said that heavy trucks appeared to be paying more than their share.

Other authorities have disagreed, arguing that a bigger share of the cost should be assigned to the heavy vehicles, on the ground that they cause most of the damage to roads, cause construction to be much more costly than if for autos alone and add to the cost of motor travel by slowing down traffic.

The Bureau of Public Roads now is beginning a 3-million-dollar experiment on the effect heavy loads have on highway damage, but officials say results will not be known for two or three years.

Long before then, the Administration is to tell Congress what new proposals it has for paying for better roads.

Weighing all these factors, officials see they have a tough job. The "painless" method of raising more money, through heavy borrowing, is opposed in Congress. The alternative seems to be to increase taxes. But no one relishes the big increase that would be called for. Taxes for roads are heavy, and many people feel they are not getting full value in return.

REVENUE FOR ROADS—*Where It Comes From*

Collections expected in 1955:

• Oil and gas taxes, State	$2,447,000,000
• Oil and gas taxes, federal	$1,108,000,000
• Other federal excises on—	
Automobiles and motorcycles	$877,000,000
Trucks and busses	$201,000,000
Parts and accessories	$205,000,000
Tires and tubes	$186,000,000
• Registration fees, licenses, other taxes on street and highway users	$1,360,000,000
• Local property taxes and assessments	$1,180,000,000
• State and local tolls	$253,000,000
• Miscellaneous receipts*	$223,000,000
TOTAL	**$8,040,000,000**

*Includes sales of plans, sales of discarded equipment, rents for railway bridges.

Source: Bureau of Public Roads

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LIFE AROUND THE WORLD®

memo

FROM THE RED BORDER

TRAIN FROM CANTON

HONG KONG—American and other Westerners coming out of Communist China do not make a glamorous entrance into the free world. They get only a simple reception at the Hong Kong frontier, but a lot of careful and complicated planning has preceded their arrival.

The great event takes place at what must be one of the world's drabbest railroad stations, Lo Wu. It comes to life only at the rare intervals when a visiting Westerner emerges to tell what he saw in Communist China, or when the Communists release Americans and other foreigners.

On the Hong Kong side of Lo Wu is the depot, with a customs shed and an immigration office. The most imposing structure is a two-story observation post, a whitewashed stone building with the Union Jack flying over it.

There also are a couple of tiny shops and a drab café. That's all there is to Lo Wu. It doesn't even have a street. Cars and vehicles of border police must park several hundred yards back, at the end of an excellent paved highway into the British colony of Hong Kong.

British territory is on one side of a stream. On the other side is Communist China.

The Red observation post is almost identical to that of the British, but has a large red star painted on the wall facing Hong Kong. The station on the Communist side is no larger than the one on the British side, but serves a town of several big buildings and many small houses. Half a dozen flags, of bright or faded red, accent the town's drabness.

Reception routine for those coming out of China varies little from day to day.

Bridge to freedom. Invariably, the train from Canton arrives on time—at 1:25 p.m.—at the Communist station across the river. Half an hour or so later, a Communist photographer mounts his

(Continued on page 72)

—United Press

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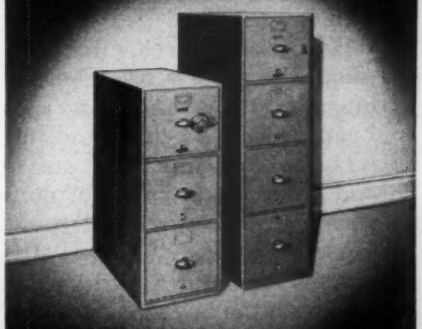

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. . . No bands play, but welcome is warm

observation post. A few minutes after that, a shabby-looking American may appear at the far end of the railroad bridge leading into free territory. He is checked, for the last time, by Red guards, who wear soft, shapeless hats and baggy khaki uniforms.

Meantime, British police in starched khaki uniforms with black patent-leather Sam Browne belts, black-visored caps and gleaming black boots, cross the bridge to meet the released person.

Normally, the British stay this side of Chinese soil. Once, however, an old priest was too ill from beriberi to get himself over the frontier. A British police officer reached over and helped the priest across. The Briton said, later: "I put my bloody arm in their bloody country and they can bloody well like it."

In contrast, another Westerner once insisted to the Chinese Reds that he be carried across the frontier in a sedan chair because he was too ill to walk. Once the Reds deposited him from his sedan chair on the bridge, the man hopped out briskly and strode to freedom.

At the British end of the bridge, a small delegation awaits the arrivals.

First, Robert Aylward of the U. S. Consulate General in Hong Kong, welcomes the American warmly. The three photographers and one reporter allowed to be present are busy snapping pictures and scribbling as the group moves to the immigration office.

There, the newcomer sits down. He is given mail and messages by an American Red Cross representative. And he talks. All the Americans—some imprisoned for as long as five years—feel a great urge to talk.

A Westerner's first few words usually are a variation of: "It's wonderful to be free." One Irish priest looked at the British flag and said: "I never thought I'd be so glad to see the Union Jack." An American priest lamented recently that he had planned to sing "My Wild Irish Rose" as he crossed the border, but when the time came he had become so excited that he had forgotten.

Sometimes there are joyful reunions at the border between a returnee and his wife, or some other member of the family who has managed to turn up in Hong Kong for the event, after years of waiting and worrying.

Five-year watch. In the small group at the border is always a wiry, tanned man with a flyaway dark beard. He wears a hat, sports shirt and shorts, and has come by motorcycle from his parish

a few miles away. He is Italian-born Ambrose Poletti, a 50-year-old priest.

Father Poletti has been coming to the border daily for five years, just in case anyone should be getting out of Red captivity. At present, a reception committee is on hand at the border every day. In the past, it often happened that only a few police were there. In 1950, two Westerners crossed the border saying they were missionaries, and the police asked Father Poletti to come out to verify their story. Then and there, he decided he would visit the border every day in order to be available to help.

Father Poletti can welcome most priests in their own tongue, because he speaks half a dozen European languages as well as three Chinese dialects. He says he has welcomed more than 3,000 persons coming out of Red China—most of them Roman Catholic clergymen and nuns.

This priest, himself, was in China for nearly 20 years. He proudly shows visitors a gold crucifix inscribed in Chinese, "Please come back." It was smuggled into Hong Kong as a gift from his former parishioners and their non-Christian neighbors.

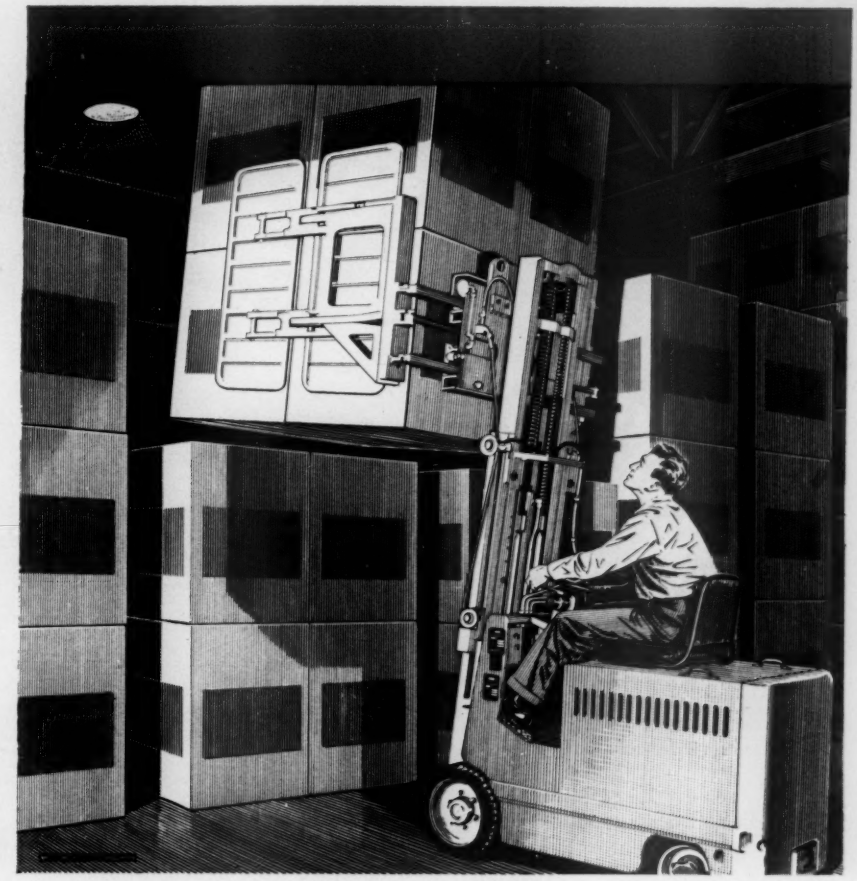
Reds are sullen. The Chinese Communists never tell Britons whether any foreigners are to be on a train. In fact, the Chinese never say anything nor will they even smile. When a person is let out, the reception group asks if he had seen other Westerners on the train. Usually he had not. But the reception committee waits hopefully for another hour or so in case somebody else should appear.

If the British need to send a message to the other side, they must tell it to one of the farmers who live in China but work fields in British territory. These farmers have passes permitting them to cross the frontier easily. The farmer repeats the message to a Chinese guard—who has already heard it from the Briton but pretends he didn't. Then the guard passes the word to his superior.

Once the British decide that no more people are getting out that day, the reception group piles into automobiles and goes back toward Hong Kong, out of the mile-wide restricted zone. The group stops at a police station. There, a brief press conference is held for other reporters and photographers.

After that, the Americans, and any others, ride for nearly an hour to Hong Kong's center—the cities of Victoria and Kowloon. Arrangements have already been made for them to stay with friends or at a hotel. The American Red Cross stands by to provide clothing, food and money if the freed persons need it. Most do not. The Red Cross also books and pays for one or two telephone calls by Americans to their families in the U. S. All the Americans are eager for this.

Then the released prisoners settle down —to eat, rest, talk and catch up on life in the outside world.



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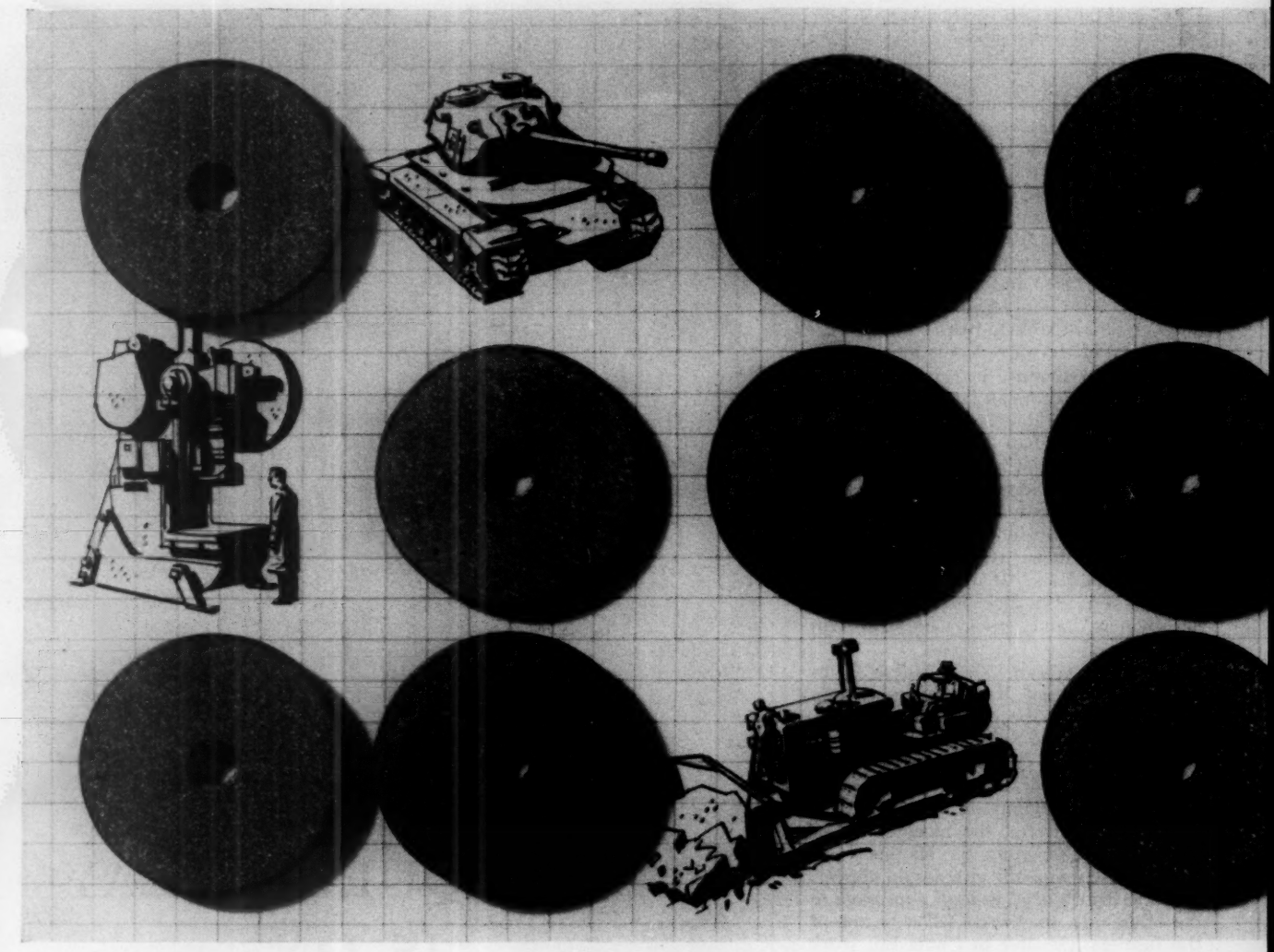

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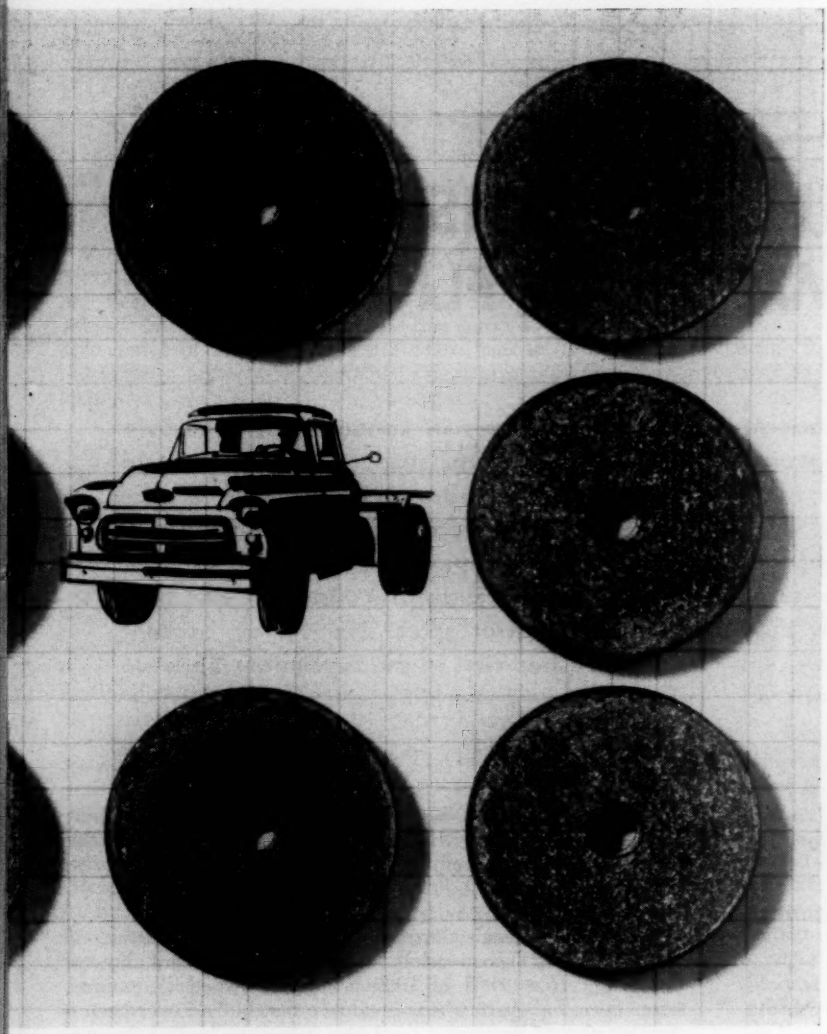

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Foreign Office White Paper—

BRITAIN EXPLAINS BURGESS-MACLEAN FLIGHT

The official story of the Burgess-Maclean case is reported now by the British Government.

In a White Paper you get the basic facts about the two British diplomats who became Soviet agents—their backgrounds, their jobs, their opportunities for spying and how they evaded arrest.

You get, too, the story of what went on behind the scenes in London when the two master spies became suspect, what steps were taken after they disappeared.

The White Paper was issued after the disclosure by Vladimir Petrov, former Russian secret-service official, that Maclean and Burgess were Soviet spies. The Petrov account was published first in the September 23 issue of *U. S. News & World Report*.

Following is full text of an official White Paper on the Burgess-Maclean case, as issued by the British Foreign Office on Sept. 23, 1955:

Report concerning the disappearance of two former Foreign Office officials.

On the evening of Friday, May 25, 1951, Mr. Donald Duart Maclean, a Counsellor in the Senior Branch of the Foreign Service and at that time head of the American Department in the Foreign Office, and Mr. Guy Francis de Moncy Burgess, a Second Secretary in the Junior Branch of the Foreign Service, left the United Kingdom from Southampton on the boat for St. Malo. The circumstances of their departure from England, for which they had not sought sanction, were such as to make it obvious that they had deliberately fled the country. Both officers were suspended from duty on June 1, 1951 and their appointment in the Foreign Office was terminated on June 1, 1952, with effect from June 1, 1951.

2. Maclean was the son of a former Cabinet Minister, Sir Donald Maclean. He was born in 1913 and was educated at Gresham's School, Holt, and Trinity College, Cambridge, where he had a distinguished academic record. He successfully competed for the diplomatic service in 1935 and was posted in the first instance to the Foreign Office. He served subsequently in Paris, at Washington and in Cairo. He was an officer of exceptional ability and was promoted to the rank of Counsellor at the early age of 35. He was married to an American lady and had two young sons. A third child was born shortly after his disappearance.

3. In May 1950 while serving at Her Majesty's Embassy, Cairo, Maclean was guilty of serious misconduct and suffered a form of breakdown which was attributed to overwork and excessive drinking. Until the breakdown took place his work had remained eminently satisfactory and there was no ground whatsoever for doubting his loyalty. After recuperation and leave at home he was passed medically fit, and in October 1950 was appointed to be head of the American Department of the Foreign Office which, since it does not deal with the major problems of Anglo-American relations, appeared to be within his capacity.

4. Since Maclean's disappearance a close examination of his background has revealed that during his student days at Cambridge from 1931 to 1934 he had expressed Communist sympathies, but there was no evidence that he had ever been a member of the Communist party and indeed on leaving the university he had outwardly renounced his earlier Communist views.

5. Burgess was born in 1911 and was educated at the Royal Naval College, Dartmouth, at Eton and at Trinity College, Cambridge, where he had a brilliant academic record. After leaving Cambridge in 1935 he worked for a short time in London as a journalist and joined the B.B.C. [British Broadcasting Corporation] in 1936 where he remained until January 1939.

From 1939 until 1941 he was employed in one of the war propaganda organisations. He rejoined the B.B.C. in January 1941 and remained there until 1944 when he applied for and obtained a post as a temporary press officer in the News Department of the Foreign Office. He was not recruited into the Foreign Service through the open competitive examination but in 1947 took the opportunity open to temporary employees to present himself for establishment. He appeared before a Civil Service Commission Board and was recommended for a junior Branch of the Foreign Service.

His establishment took effect from January 1, 1947. He worked for a time in the office of the then Minister of State, Mr. Hector McNeil, and in the Far Eastern Department of the Foreign Office. In August 1950 he was transferred to Washington as a Second Secretary.

6. Early in 1950 the security authorities informed the Foreign Office that in late 1949 while on holiday abroad Burgess had been guilty of indiscreet talk about secret matters of which he had official knowledge. For this he was severely reprimanded. Apart from this lapse his service in the Foreign Office up to the time of his appointment to Washington was

. . . "Maclean must have become aware he was under investigation"

satisfactory and there seemed good reason to hope that he would make a useful career.

7. In Washington, however, his work and behaviour gave rise to complaint. The Ambassador reported that his work had been unsatisfactory in that he lacked thoroughness and balance in routine matters, that he had come to the unfavourable notice of the Department of State because of his reckless driving and that he had had to be reprimanded for carelessness in leaving confidential papers unattended.

The Ambassador requested that Burgess be removed from Washington and this was approved. He was recalled to London in early May 1951 and was asked to resign from the Foreign Service. Consideration was being given to the steps that would be taken in the event of his refusing to do so. It was at this point that he disappeared.

8. Investigations into Burgess' past have since shown that he, like Maclean, went through a period of Communist leanings while at Cambridge and that he too on leaving the university outwardly renounced his views. No trace can be found in his subsequent career of direct participation in the activities of left-wing organisations; indeed he was known after leaving Cambridge to have had some contact with organisations such as the Anglo-German Club.

9. The question has been asked whether the association of these two officers with each other did not give rise to suspicion. The fact is that although we have since learned that Maclean and Burgess were acquainted during the undergraduate days at Cambridge, they gave no evidence during the course of the career in the Foreign Service of any association other than would be normal between two colleagues.

When Burgess was appointed to the Foreign Office, Maclean was in Washington and at the time Burgess himself was appointed to Washington, Maclean was back in the United Kingdom awaiting assignment to the American Department of the Foreign Office. It is now clear that they were in communication with each other after the return of Burgess from Washington in 1951 and they may have been in such communication earlier. Their relations were, however, never such as to cause remark.

10. In January 1949, the security authorities received a report that certain Foreign Office information had leaked to the Soviet authorities some years earlier. The report amounted to little more than a hint and it was at the time impossible to attribute the leak to any particular individual. Highly secret but widespread and protracted enquiries were begun by the security authorities and the field of suspicion had been narrowed by mid-April 1951 to two or three persons.

By the beginning of May, Maclean had come to be regarded as the principal suspect. There was, however, even at that time, no legally admissible evidence to support a prosecution under the Official Secrets Acts. Arrangements were made to ensure that information of exceptional secrecy and importance should not come into his hands.

In the meantime, the security authorities arranged to investigate his activities and contacts in order to increase their background knowledge and if possible to obtain information which could be used as evidence in a prosecution. On May 25 the then Secretary of State, Mr. Herbert Morrison, sanctioned a proposal that the security authorities should question Maclean. In reaching this decision it had to be borne in mind that such questioning might produce no confession or voluntary statement from Maclean sufficient to support a prosecution, but might serve only to alert him and to reveal the nature and the extent of the suspicion against him. In that event he would have been free to make arrangements to leave the country and the authorities would have had no legal power to stop him.

Everything therefore depended on the interview and the security authorities were anxious to be as fully prepared as was humanly possible. They were also anxious that Maclean's house at Tatsfield, Kent, should be searched and this was an additional reason for delaying the proposed interview until mid-June when Mrs. Maclean who was then pregnant was expected to be away from home.

11. It is now clear that in spite of the precautions taken by the authorities, Maclean must have become aware, at some time before his disappearance, that he was under investigation. One explanation may be that he observed that he was no longer receiving certain types of secret papers. It is also possible that he detected that he was under observation. Or he may have been warned. Searching enquiries involving individual interrogations were made into this last possibility. Insufficient evidence was obtainable to form a definite conclusion or to warrant prosecution.

12. Maclean's absence did not become known to the authorities until the morning of Monday, May 28. The Foreign Office is regularly open for normal business on Saturday mornings, but officers can, from time to time, obtain leave to take a week end off. In accordance with this practice Maclean applied for and obtained leave to be absent on the morning of Saturday, May 26. His absence therefore caused no remark until the following Monday morning when he failed to appear at the Foreign Office. Burgess was on leave and under no obligation to report his movements.

13. Immediately the flight was known all possible action was taken in the United Kingdom, and the French and other continental security authorities were asked to trace the whereabouts of the fugitives and if possible to intercept them. All British Consulates in Western Europe were alerted and special efforts were made to discover whether the fugitives had crossed the French frontiers on May 26 or 27.

As a result of these and other enquiries it was established that Maclean and Burgess together left Tatsfield by car for Southampton in the late evening of Friday, May 25, arrived at Southampton at midnight, caught the s.s. *Falaise* for St. Malo and disembarked at that port at 11:45 the following morning, leaving suitcases and some of their clothing on board. They were not seen on the train from St. Malo to Paris and it has been reported that two men, believed to be Maclean and Burgess, took a taxi to Rennes and there got the 1:18 p.m. train to Paris. Nothing more was seen of them.

14. Since the disappearance various communications have been received from them by members of their families. On June 7, 1951 telegrams ostensibly from Maclean were received by his Mother Lady Maclean, and his wife Mrs. Melinda Maclean, who were both at that time in the United Kingdom. The telegram to Lady Maclean was a short personal message, signed by a nick-name known only within the immediate family circle. It merely stated that all was well.

That addressed to Mrs. Maclean was similar, expressing regret for the unexpected departure and was signed "Donald." Both telegrams were despatched in Paris on the evening of June 6. Their receipt was at once reported to the security authorities but it was impossible to identify the person or persons who had handed them in. The original telegraph

. . . "Handwriting on the telegram form was not Mrs. Maclean's"

forms showed, however, that the messages had been written in a hand which was clearly not Maclean's. The character of the handwriting, and some mis-spelling, suggested that both telegrams had been written by a foreigner.

15. On June 7, 1951, a telegram was received in London by Mrs. Bassett, Burgess' Mother. It contained a short and affectionate personal message, together with a statement that the sender was embarking on a long Mediterranean holiday and was ostensibly from Burgess himself. The telegram had been handed in at a Post Office in Rome earlier on the day of its receipt. As with the telegrams from Paris to Maclean's family, there was no possibility of identifying the person who had handed it in. The handwriting had the appearance of being foreign and was certainly not that of Burgess.

16. According to information given to the Foreign Office in confidence by Mrs. Dunbar, Maclean's Mother-in-law, who was then living with her daughter at Tatsfield, she received on August 3, 1951, two registered letters posted in St. Gallen, Switzerland, on August 1. One contained a draft on the Swiss Bank Corporation London for the sum of £1,000 [$2,800] payable to Mrs. Dunbar; the other a draft payable to Mrs. Dunbar for the same sum, drawn by the Union Bank of Switzerland on the Midland Bank, 122 Old Broad Street, London.

Both drafts were stated to have been remitted by order of a Mr. Robert Becker, whose address was given as the Hotel Central, Zurich. Exhaustive enquiries in collaboration with the Swiss authorities have not led to the identification of Mr. Becker and it is probable that the name given was false.

17. Shortly after the receipt of these bank drafts Mrs. Maclean received a letter in her husband's handwriting. It had been posted in Reigate, Surrey on August 5, 1951 and was of an affectionate, personal nature as from husband to wife. It gave no clue as to Maclean's whereabouts or the reason for his disappearance but it explained that the bank drafts, which for convenience had been sent to Mrs. Dunbar, were intended for Mrs. Maclean.

18. Lady Maclean received a further letter from her son on August 15, 1951. There is no doubt that it was in his own handwriting. It had been posted at Herne Hill on August 11.

19. Mrs. Bassett, the mother of Burgess, received a letter in Burgess' handwriting on December 22, 1953. The letter was personal and gave no information as to Burgess' whereabouts. It was simply dated "November" and had been posted in South East London on December 21. The last message received from either of the two men was a further letter from Burgess to his mother which was delivered in London on December 25, 1954. This letter was also personal and disclosed nothing of Burgess' whereabouts. It too was simply dated "November." It had been posted in Poplar E. 14 on December 23.

20. On September 11, 1953 Mrs. Maclean, who was living in Geneva, left there by car with her three children. She had told her mother, who was staying with her, that she had unexpectedly come across an acquaintance who she and her husband had previously known in Cairo, and that he had invited her and the children to spend the week end with him at Territet, near Montreux. She stated that she would return to Geneva on September 13 in time for the two elder children to attend school the following day.

By September 14 her mother, alarmed at her failure to return, reported the matter to Her Majesty's Consul General in Geneva and also by telephone to London. Security Officers were at once dispatched to Geneva where they placed themselves at the disposal of the Swiss police who were already making intensive enquiries.

On the afternoon of September 16 Mrs. Maclean's car was found in a garage in Lausanne. She had left it on the afternoon of the 11th, saying she would return for it in a week. The garage hand who reported this added that Mrs. Maclean had then proceeded with her children to the Lausanne railway station.

On the same day, September 16, Mrs. Dunbar reported to the Geneva police the receipt of a telegram purporting to come from her daughter. The telegram explained that Mrs. Maclean had been delayed "owing to unforeseen circumstances" and asked Mrs. Dunbar to inform the school authorities that the two elder children would be returning in a week. Mrs. Maclean's youngest child was referred to in this telegram by a name known only to Mrs. Maclean, her Mother and other intimates. The telegram had been handed in at a post office in Territet at 10:58 that morning by a woman whose description did not agree with that of Mrs. Maclean. The handwriting on the telegram form was not Mrs. Maclean's and it showed foreign characteristics similar to those in the telegrams received in 1951 by Lady Maclean, Mrs. Maclean and Mrs. Bassett.

21. From information subsequently received from witnesses in Switzerland and Austria, it seems clear that the arrangements for Mrs. Maclean's departure from Geneva had been carefully planned and that she proceeded by train from Lausanne on the evening of September 11, passing the Swiss-Austrian frontier that night and arriving at Schwarzach St. Veit in the American Zone of Austria at approximately 9:15 on the morning of September 12. The independent evidence of a porter at Schwarzach St. Veit and of witnesses traveling on the train, has established she left the train at this point.

Further evidence, believed to be reliable, shows that she was met at the station by an unknown man driving a car bearing Austrian number plates. The further movements of this car have not been traced. It is probable that it took Mrs. Maclean and the children from Schwarzach St. Veit to neighbouring territory in Russian occupation whence she proceeded on her journey to join her husband.

22. There was no question of preventing Mrs. Maclean from leaving the United Kingdom to go to live in Switzerland. Although she was under no obligation to report her movements, she had been regularly in touch with the security authorities and had informed them that she wished to make her home in Switzerland. She gave two good reasons, firstly, that she wished to avoid the personal embarrassment to which she had been subjected by the press in the United Kingdom and, secondly, that she wished to educate her children in the International School in Geneva.

It will be remembered that Mrs. Maclean was an American citizen and in view of the publicity caused by her husband's flight it was only natural that she should wish to bring up her children in new surroundings. Before she left for Geneva the security authorities made arrangements with her whereby she was to keep in touch with the British authorities in Berne and Geneva in case she should receive any further news from her husband or require advice or assistance.

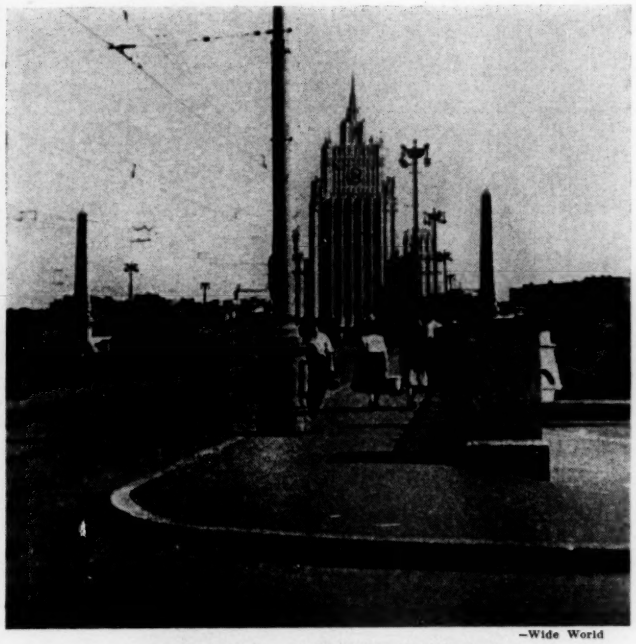
Mrs. Maclean was a free agent. The authorities had no legal means of detaining her in the United Kingdom. Any form of surveillance abroad would have been unwarranted.

. . . "Soviet Intelligence Service organised their escape"

23. In view of the suspicions held against Maclean and of the conspiratorial manner of his flight, it was assumed, though it could not be proved, that his destination and that of his companion must have been the Soviet Union or some other territory behind the Iron Curtain.

Now Vladimir Petrov, the former Third Secretary of the Soviet Embassy in Canberra, who sought political asylum on April 3, 1954, has provided confirmation of this. Petrov himself was not directly concerned in the case and his information was obtained from conversation with one of his colleagues in the Soviet service in Australia.

Petrov states that both Maclean and Burgess were recruited as spies for the Soviet Government while students at the university, with the intention that they should carry out their espionage tasks in the Foreign Office and that in 1951, by means unknown to him, one or other of the two men became aware that their activities were under investigation. This was reported by them to the Soviet Intelligence Service who then organised their escape and removal to the Soviet Union.



—Wide World

MOSCOW'S FOREIGN MINISTRY
Among the employes: Burgess and Maclean?

Petrov has the impression that the escape route included Czechoslovakia and that it involved an aeroplane flight into that country. Upon their arrival in Russia, Maclean and Burgess lived near Moscow. They were used as advisers to the Ministry of Foreign Affairs and other Soviet agencies. Petrov adds that one of the men (Maclean) has since been joined by his wife.

24. Two points call for comment: first, how Maclean and Burgess remained in the Foreign Service for so long and, second, why they were able to get away.

25. When these two men were given their appointments nothing was on record about either to show that he was unsuitable for the Public Service. It is true that their subsequent personal behaviour was unsatisfactory and this led to action in each case. As already stated Maclean was recalled from Cairo in 1950 and was not re-employed until he was declared medically fit. Burgess was recalled from Washington in 1951 and was asked to resign. It was only shortly before Maclean disappeared that serious suspicion of his reliability was aroused and active enquiries were set on foot.

26. The second question is how Maclean and Burgess made good their escape from this country when the security authorities were on their track. The watch on Maclean was made difficult by the need to ensure that he did not become aware that he was under observation. This watch was primarily aimed at collecting, if possible, further information and not at preventing an escape. In imposing it, a calculated risk had to be taken that he might become aware of it and might take flight. It was inadvisable to increase this risk by extending the surveillance to his home in an isolated part of the country and he was therefore watched in London only. Both men were free to go abroad at any time.

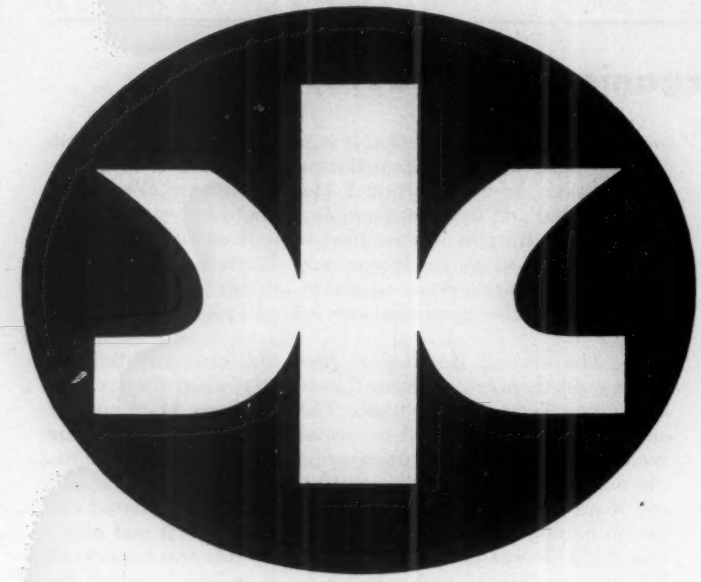
In some countries no doubt Maclean would have been arrested first and questioned afterwards. In this country no arrest can be made without adequate evidence. At the time there was insufficient evidence. It was for these reasons necessary for the security authorities to embark upon the difficult and delicate investigation of Maclean, taking into full account the risk that he would be alerted. In the event he was alerted and fled the country together with Burgess.

27. As a result of this case, in July 1951, the then Secretary of State, Mr. Herbert Morrison, set up a Committee of Enquiry to consider the Security checks applied to members of the Foreign Service; the existing regulations and practices of the Foreign Service in regard to any matters having a bearing on security and to report whether any alterations were called for.

The Committee reported in November 1951. It recommended among other things, a more extensive security check on Foreign Service officers than had until then been the practice. This was immediately put into effect and since 1952 searching enquiries had been made into the antecedents and associates of all those occupying or applying for positions in the Foreign Office involving highly secret information. The purpose of these enquiries is to ensure that no one is appointed to or continues to occupy any such post unless he or she is fit to be entrusted with the secrets to which the post gives access. The Foreign Secretary of the day approved the action required.

28. A great deal of criticism has been directed towards the reticence of Ministerial replies on these matters; an attitude which it was alleged would not have been changed had it not been for the Petrov relations. Espionage is carried out in secret. Counter-espionage equally depends for its success upon the maximum secrecy of its methods. Nor is it desirable at any moment to let the other side know how much has been discovered or guess at what means have been used to discover it. Nor should they be allowed to know all the steps that have been taken to improve security. These considerations still apply and must be the basic criterion for judging what should or should not be published.

For an article on spying by Burgess and Maclean during the Korean war, see page 21. For Vladimir Petrov's own story, see page 114.



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News YOU Can Use ®

IN YOUR PERSONAL PLANNING

24th and N Streets, N.W.
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Questions arise now--as the result of another hurricane belting the East--about insurance protection against storm or other damage to your home.

HOME PROTECTION. Most owners these days protect their homes with "extended coverage" policies. Along with fire protection, these provide coverage against windstorm, hail, explosion, riot and certain other hazards.

Insurance experts say, however, that many policies fail to cover the full amount of potential loss. Also, many people don't understand exactly what their policies provide, may get a rude shock when loss occurs.

POLICY PROVISIONS. There's no protection in extended-coverage policies, for example, against hurricane or fire damage to furniture and other contents of a house. These must be insured separately. Neither is there protection against damage to trees and shrubbery. Water damage from rain blown through a window you left open isn't covered; it has to be a storm-caused opening. You can get repayment, though, for food lost in a freezer because of a break in the power line on your property--but not if the power interruption is elsewhere. Note, too, that a clause common in policies provides reimbursement--within limits--for hotel bills or rent you have to pay while waiting for your home to be repaired.

LIVING EXPENSES. A ruling by the Internal Revenue Service, applying to servicemen overseas, points up a principle involved in tax deductions for living expenses away from home. IRS holds that members of the armed forces stationed abroad cannot deduct such expenses even though they have to maintain homes in the U.S. for families not allowed to accompany them. "Away from home," IRS emphasizes, means away from your principal place of business, not necessarily away from your family dwelling place.

TAX FORMS. Larger type and a somewhat simpler arrangement mark the new 1955 individual income tax forms just prepared by the federal tax collector. The forms go into the mails after Christmas, will reach most taxpayers by January 5.

ANTIFREEZES. Talk you may hear of a shortage of automobile antifreeze this winter doesn't square with the facts. Department of Commerce experts say it's true that the supply situation on ethylene glycol and methanol--two main anti-freeze chemicals--now is tight. But part of the tightness comes because this is

(over)

the time of year antifreeze is canned, and packagers have stepped up production with an eye to the greater number of cars in use. Motorists should find stocks adequate for radiators this winter, the Commerce experts add.

ACCIDENTS AT HOME. A study of fatal accidents about the home has been made by the Maryland State Department of Health. In the accidents covered:

The bedroom--where fires, falls and suffocation figure--was shown to be the most dangerous room in the house. The kitchen was next.

Most falls happened while the victims walked on level floors, walks or ground. Getting out of bed or chair was as hazardous as going up or down stairs.

Lack of supervision was significant in half the accidents to children under 5.

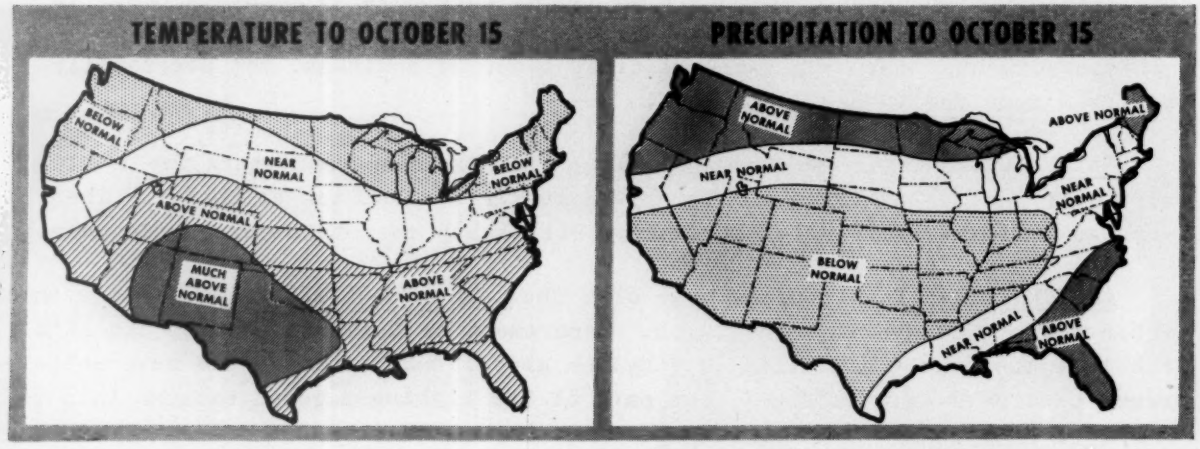
Hazards which could have been corrected played a part in 25 per cent of the falls, and in 30 per cent of injuries stemming from fires. Safe storage would have prevented a third of the firearm deaths and all the accidental poisonings.

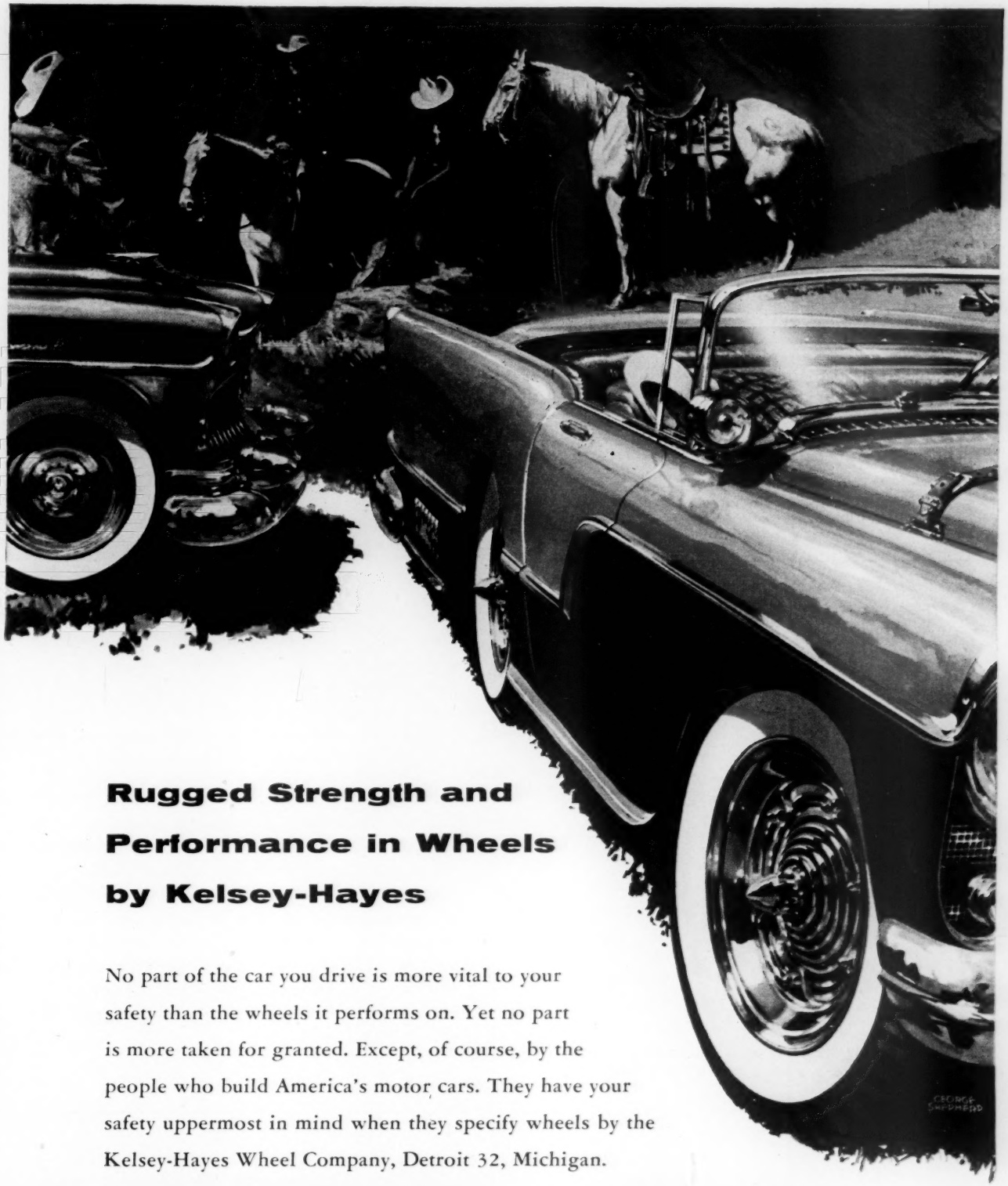
SOCIAL SECURITY. A carpenter who works around the neighborhood, furnishing his own tools and doing a job at so much per hour, is considered a self-employed contractor, the Internal Revenue Service rules. This means you don't have to pay Social Security taxes on what he earns when you hire him.

"TORCH" BLANKETS. A caution about highly flammable blankets is issued by the Federal Trade Commission. Tests made by FTC show the material to be more dangerously inflammable than the "torch" sweaters that made headlines a few years ago. The blankets have thick rayon napping, are known in the trade as "carnival blankets," since they are similar to those often offered as prizes at carnivals. The FTC warning came after a near-tragedy in a veterans' hospital when a bed jacket made from such a blanket was set ablaze by ashes spilled from a pipe.

FRUITS AND VEGETABLES. You can keep produce from your garden all winter long in a storage cellar. A newly revised Department of Agriculture bulletin tells you how. It's "Home Storage of Fruits and Vegetables." Single copies, free, from the Office of Information, USDA, Washington 25, D.C.

WEATHER. It's to be warmer than usual in the South, cooler than normal in Canadian-border States, these maps based on the Weather Bureau's outlook suggest:





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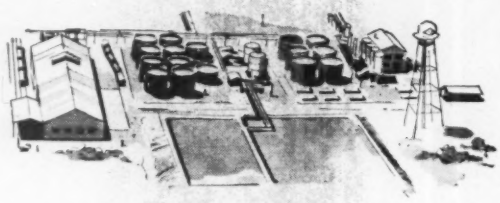
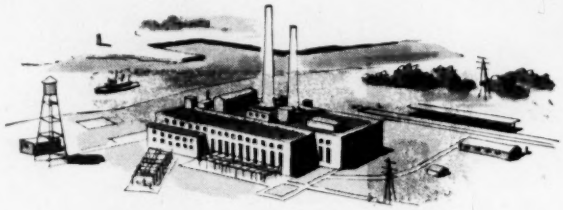
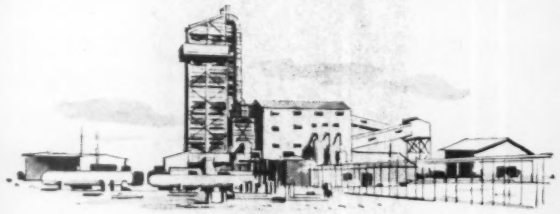


PETRO-CHEMICAL PLANT in Texas to produce ethylene from natural gas by the owner's process.

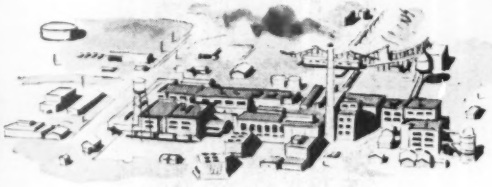


GENERATING PLANT, one of three of 66,000 KW each, installed for electric utility company in Southwest.

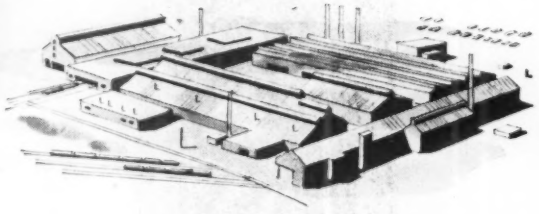


ORGANIC CHEMICAL PLANT to produce insecticides—DDT and BHC—located in the State of Alabama.

DIVERSIFICATION



PAPER MILL in the South's pine belt, increasing its capacity by nearly 500 tons of newsprint daily.



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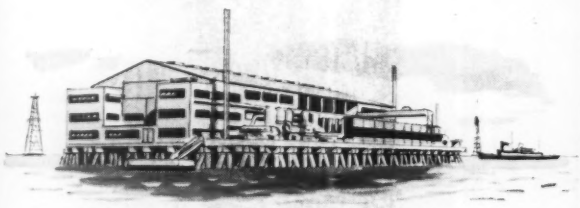

PRESSURE MAINTENANCE plant for Venezuelan gas reservoir built in 62 ft. of water with 50,000 h.p.

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We've Been Asked:

WHO REALLY OWNS WHITE HOUSE RECORDS

- **Once again a former President is making a profit on state papers accumulated while in public office.**
- **This raises the question of property rights to official records of persons high in the Government.**

Now that Harry S. Truman is publishing his papers, many of them heretofore secret, people are asking: Can a retiring President keep official records collected in office?

That has been the practice for many years. President Truman, like many Presidents before him, took from the White House many documents, communications and other records of his Administration. These now become the basis of memoirs that will bring Mr. Truman a reported $600,000.

Is there any law that governs this situation?

No, there is not—but for years there has been argument over who should have possession of the many papers and other records that pile up while a President is in the White House. It has been common practice for a retiring President to move out with these files. Not only Presidents do this, but other high officials too. In one case an official took so many records that his successor had to ask to get some back so he could run his department.

If there's no law, where does a President get the right to these records?

That goes back to a precedent established by George Washington. When the first President left office in 1797, he took at least 80 cases of papers with him to Mount Vernon. All retiring Presidents since then have considered that they had legal claim to their presidential records.

Were the Washington papers used for profit?

Yes, but not by the first President. A relative of his profited from the documents, which were used by a biographer of Washington. Later, the Washington documents were sold to the Government in several batches. One of these brought $25,000; another, $20,000. Extensive research on presidential papers by Buford Rowland, of the National Archives, shows that most of the Washington papers are now in the Library of Congress.

Can a President do anything he wants with his papers?

That has been the experience in the past. Some retired Presidents have used these official records for profitable writings by themselves or by others. Some have deliberately burned documents and other papers they did not want kept. Still other records have been given away or sold by families of ex-Presidents.

What usually becomes of presidential papers in the end?

A great many of them are now in the Library of Congress—obtained by purchase or gift or deposited there for safekeeping. Others have found their way into libraries of historical societies, and into private and public collections.

Were documents of many Presidents sold outright?

Official and private papers of eight Presidents were sold by the families or executors. Most of the public papers of Thomas Jefferson were sold to the Government, for the Library of Congress, for $20,000. Dolly Madison wanted $100,000 for the records of her husband, but ended with two sales to the Government for a total of $55,000.

Papers of other Presidents in the Library of Congress, for which cash was paid by the Government, include those of James Monroe, Andrew Jackson, John Tyler, James K. Polk and Andrew Johnson.

Didn't President Grant use his records for extensive writing?

Yes. He drew upon official papers for his memoirs. Then he destroyed some correspondence and returned a number of letters to their writers. His grandson gave some of the remaining material to the Library of Congress.

What will finally become of the Truman papers?

They are scheduled to be kept in the Harry S. Truman Library being built at Independence, Mo. They will be available to future students and historians. A special library for the Truman documents follows the pattern set by the Hyde Park, N. Y. library for papers and other records of Franklin D. Roosevelt. This is the largest collection of presidential papers. It was donated to the nation.

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WHAT SOVIET OFFERS ITS WORKERS

Low Pay . . . Long Hours . . . Stiff Rules . . . No Strikes

The facts about life of the Russian workingman are coming to light. For him, the Kremlin has just one goal: more output. To get it, anything goes.

In what follows, you are given a look at Russia's labor draft and job-training system. And you see how the unions help keep their members under the thumb of the Communist Party bosses.

Americans have been hearing much about what's wrong with Russian farms. Many are wondering what life is like for the Russian worker. Investigate, as did a specialist on the staff of *U. S. News & World Report,* and you'll find:

- A Russian boy may be caught in the labor draft at 14; at 12, if he's an orphan.
- By piece rates, quotas and speed-ups, the regime squeezes out the last drop of production.
- Discipline is iron tight. An absence of less than 20 minutes may bring temporary transfer to a lower-paying job. To strike is to court death as a saboteur.

What life holds for Ivan, the typical Soviet workingman, is told here.

As a youth, he may find himself among the 800,000 to 1 million boys and girls caught in the annual labor draft. Boys are subject to it until 19; girls, from 15 to 18. If drafted, Ivan spends six to 24 months in a vocational or railroad school, or as an industrial on-the-job trainee. Then he is sent off to work four years in a factory, mine or plant chosen by the Ministry of Labor Reserves.

At the end of that time, Ivan is free to choose a job of his own, joining the ranks of those Russian workers who escaped the labor draft. As an average worker, he will earn about 185 rubles for working his regular six-day week of 48 hours. There are no coffee breaks. At the official rate of exchange, a ruble is worth 25 cents, but its actual value is closer to 8⅓ cents, which means Ivan earns $15.42 a week. And he earns it the hard way.

Ivan can't quit, if he works for a state-owned enterprise, without his boss's permission. If he does, he may get a four-month prison sentence.

Chances are that Ivan is paid by the piece, and, if he fails to make his quota, he receives partial or no pay. If he loafs, he may find his pay cut 25 per cent for as long as six months. Damaging tools or wasting supplies can result in deductions, some of them ranging up to five times the value of the material. Stealing Government property may mean 15 years in a forced-labor camp.

How about his union? What does it do to help him? Virtually nothing. It's a tool of the Communist Party, designed primarily to wring more production out of men like Ivan. If he falls short of his quota, it's the union that calls him on the carpet. The higher and higher output goals set by the Government unfailingly win the union's endorsement. And, if a plant official violates Ivan's rights the union is likely to look the other way.

Off the job, Ivan finds life as grim as on it. He and his family are likely to be squeezed into one or two tiny rooms in a shabby house, with no gas, phone, inside toilet or central heating. One dim electric-light bulb casts a flickering light in each room. Water is carried from an

THE LIFE OF IVAN, *Typical Soviet Worker*

Hours of Work: 8 hours a day, 6 days a week. No coffee breaks.

Pay: A bare living. Earnings depend on output. No minimum wage.

Quotas: Set by speed-up system. Failure to meet goals can cost Ivan all or part of his pay.

Rules: For loafing or absenteeism—pay can be cut for 6 months. For damaging property—fines, up to 5 times the property's value.

Quitting: Ivan can't quit or change jobs, without his boss's permission. If he tries to strike, he courts death as a "saboteur."

Source: Russian documents translated by USN&WR Photo: Sovfoto

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outside well. His wife cooks over a one-burner kerosene stove, and struggles to feed her family in the face of constant food shortages and sky-high prices.

Ivan works four to six hours to earn enough to buy 10 eggs; 34 minutes for a quart of milk; 90 minutes for a pound of coffee. It takes him 7 days to earn the cost of a table radio; eight for a pair of trousers; 88 for a small-screen television set. If he dreams of buying one of the small, 23-horsepower cars which a few of the lucky own, Ivan knows it will take his full pay for 49 weeks.

It takes much figuring and scrimping to raise the price of a few simple luxuries, or the cost of a little entertainment. But, even when he can go out, Ivan finds it hard to relax. Theaters, if he's fortunate enough to get a ticket, offer him two main choices: propaganda plays, largely anti-American, or standard classics. Restaurants are both crowded and grim; few risk talking when a chance remark may be misconstrued and reported to the secret police.

On week ends, excursion trains to suburban areas around large cities such as Moscow are so packed that Ivan is content if he can find standing room on a platform. Long lines form in front of libraries, from which readers like Ivan cannot take books home. All his library reading must be done in the building.

For clothing, Ivan has three possibilities. He may buy a suit in a Government store, if it is available, or pick up a secondhand one on the black market, if he wants to take the risk. Or he can buy cloth and find someone to cut him a suit from it at a cost equal to 21 days' pay. His shoes will cost him 112 rubles, or three days and five hours of work, and will squeak.

On or off the job, Ivan is haunted by his thoughts of the Stakhanovites and their achievements. Stakhanovites are workers who make outstanding records, men and women who win favored treatment by their production and are despised by Ivan and most of his fellows. For, the more the Stakhanovites at his plant turn out, the higher goes Ivan's quota.

It isn't easy for Ivan to find diversion from his work. Free entertainment tends to be top-heavy with intellectual overtones: museums, lectures and exhibits. To go to a sporting match is expensive. Movies are crowded and among frequently seen pictures are American Tarzan films with German sound tracks that are puzzling to Russian-speaking Ivan.

Perhaps Ivan spends the 35 rubles, representing nine hours of his work, that a fifth of vodka costs. If he does, and gets drunk, the police may carry him off to a sobering-up station, similar to a Turkish bath. And he will be charged the equivalent of $7.50 for this service.

That's how life is for Ivan. Long hours,

(Continued on page 88)

Murphey Terminal Building, Bradley Field, Windsor, Conn. Thompson and Barnum, New York City, Architects

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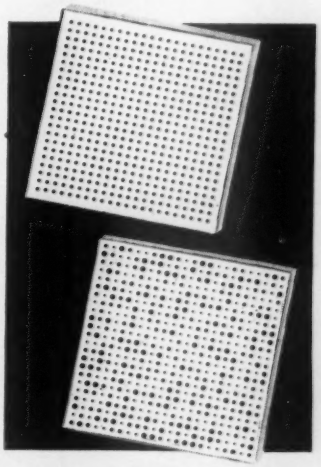

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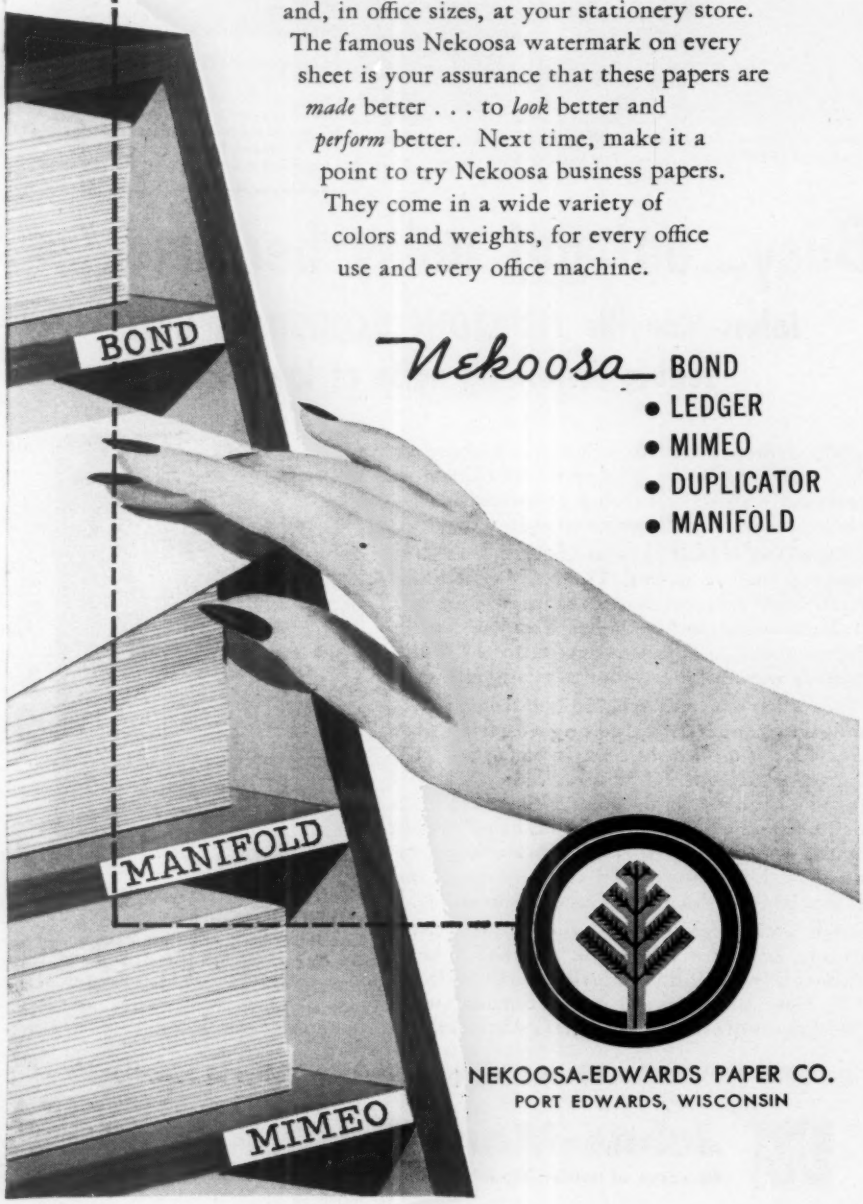

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For worker, Russia is no "paradise" . . .

low pay, rigid discipline, swift punishments, few relaxations. Ivan finds it a good deal less than a "workers' paradise."

The Big Growth In Welfare Plans

Some up-to-date statistics show how big has been the growth of welfare and pension programs since unions started pushing for them in 1949. The Bureau of Labor Statistics makes these findings:

- More than 11 million workers are getting protection from insurance or pension plans negotiated by unions. Many of them get both types.
- The number of workers covered by these plans has increased 20 times since 1945, when about a half million were under the plans. Now, about two thirds of the unionized workers of the country are covered.
- Pension plans are not as extensive as insurance programs. About 7 million workers are covered by retirement plans, while 11 million have insurance protection. Nearly 7 million workers are under both insurance and pension programs. More than 4 million have insurance protection, but no pension plans. Only about 200,000 are covered by pension programs, but do not have insurance protection.

These figures do not include Government employes or railroad workers who have welfare programs that were established by legislation. The report deals with plans set up through bargaining between employers and unions that claim to represent about 16 million workers.

Big spurt in welfare benefits started in 1949.

By the middle of 1948, little more than 3 million workers had some type of welfare-benefit plan, a BLS survey showed. But steel and auto unions won pension plans in 1949 and 1950, starting a wave of similar programs.

The number of workers covered by welfare plans jumped to more than 7.5 million by mid-1950. Since then, an additional 3.8 million workers have received coverage. It is estimated that the plans now cover about 70 per cent of the 16 million workers represented by unions.

In the case of insurance plans, 38 per cent of the workers help to pay costs of the programs. Plans that cover the remaining 62 per cent are financed by employers alone. Often, as programs were expanded in recent years, the employer assumed a larger share or all of the increased cost.

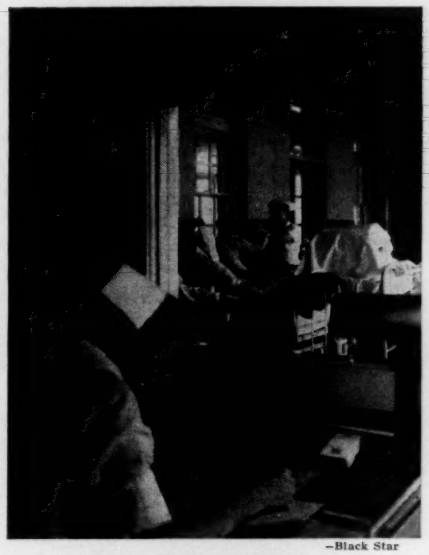
. . . Unions extend benefit plans to workers' families

In pension plans set up by union agreement, the employer usually foots the entire bill. The survey finds that 85 per cent of the workers covered by pension plans do not contribute to them.

Varied benefits are included in some of the insurance programs.

Life insurance still is the most common type of benefit provided. Thus, of the workers covered by insurance programs, 93 per cent have life insurance. About 88 per cent have hospitalization benefits.

Surgical benefits are available for 83 per cent of the workers, while 73 per cent get weekly benefits if taken sick or



—Black Star

IN THE HOSPITAL
. . . a trend to welfare plans

if injured in an accident off the job. Accidental-death and dismemberment policies cover 54 per cent of the workers, and plans giving medical care cover 47 per cent.

In recent years, unions have extended many of the plans to cover wives and children of employes. More than 70 per cent of the workers are covered by plans that also give protection to their families. In about half these cases, workers share with employers the cost of the dependents' coverage. In about 38 per cent, the employer foots the entire bill. Under the remaining family-coverage plans, the worker pays the extra cost.

Unions often come up with special benefits, to be added to existing insurance programs. Some plans, for example, have provisions for extra payments, beyond the maximums normally allowed, in cases of extended illness.

Fittings made from lightweight Mallory-Sharon titanium bar and sheet. Mallory-Sharon titanium was processed from sponge furnished by DuPont.

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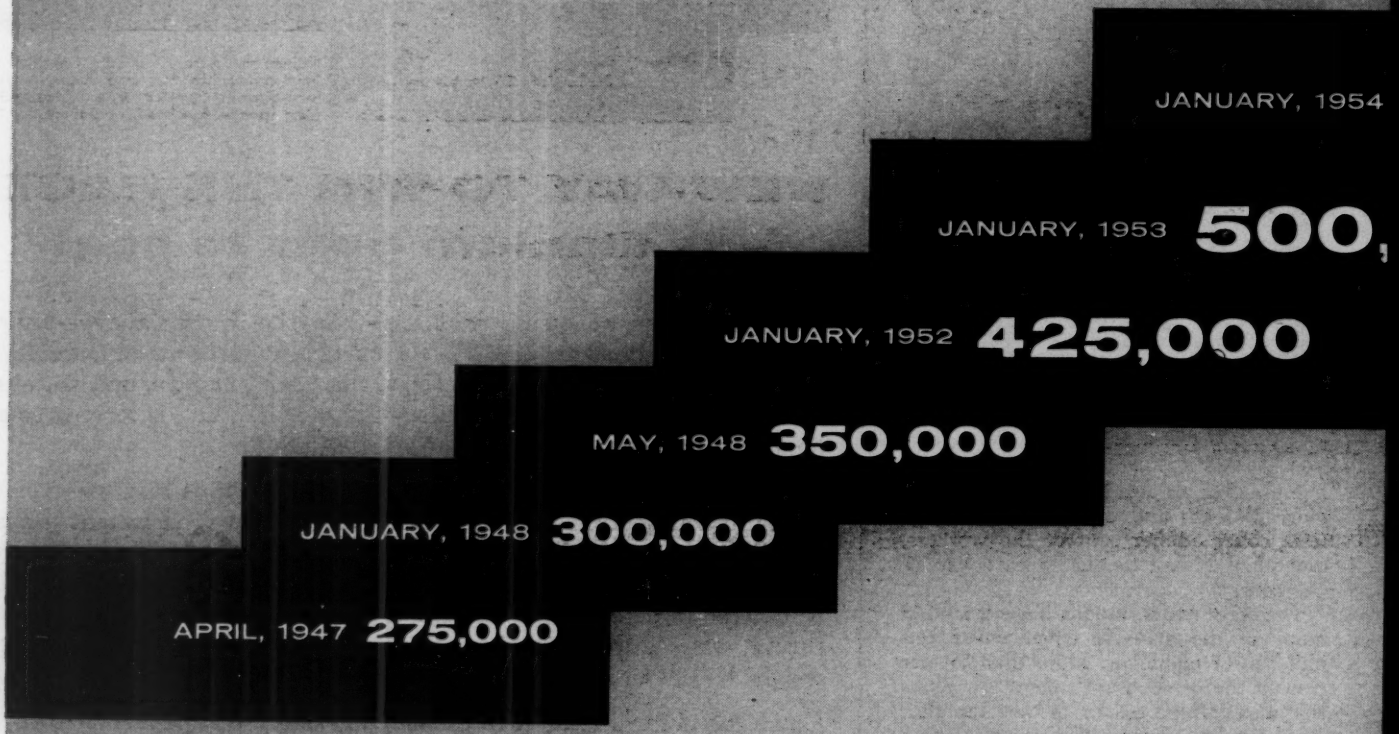

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Secretary Dulles Sees:

AN ERA OF STRESSES AND STRAINS

Risk in a Divided Germany—Red China's Attitude Not Clarified

From the U. S. Secretary of State comes this report on the state of the world, 10 years after the end of World War II—

• Russians, after overrunning many areas, talk softly, must prove sincerity by deeds.

• Germany, Austria are just getting freedom. German unity remains unsettled.

• China is a danger zone under the Reds, but things are a bit "less ominous" there.

• Regional defense in the Americas has worked successfully three times recently.

• Disarmament is being attempted, again.

• U. N. has been flexible, workable, needs to admit new members, revise its charter.

Peace, John Foster Dulles concludes, now looks a little more promising.

Following is full text of the address by John Foster Dulles, Secretary of State, before the United Nations General Assembly, Sept. 22, 1955:

It is always a pleasure for me to return to this great Assembly—this center for harmonizing the actions of nations. My pleasure today is especial. Not only will this session round out a decade of United Nations effort, but there are welcome signs that the second decade may, in fact, be more harmonious than was the first. Surely, it is in our power to make it so.

We can feel that confidence because we see the nations becoming more and more sensitive to the moral verdicts of this organization. This Assembly is a hall of understanding, and thus of hope. It is also a hall of judgment. Here the nations of the world expound, explain and defend their international policies. In the process, national purposes are disclosed and oftentimes altered to meet the opinions that are reflected here. Sometimes true purposes are sought to be concealed. But this Assembly has a way of getting at the truth.

The perceptions and the moral judgments of the nations meeting here endow this Assembly with genuine power. No nation lightly risks the Assembly's moral condemnation, with all that such condemnation implies.

This fact that our organization's power derives largely from moral judgments formed here illuminates the problem of membership. It shows how essential it is that there should be here all of those eligible nations which, by their policies and conduct, have demonstrated their devotion to the purposes and principles of the Charter.

Today we have a wide and important membership. But about a score of sovereign nations are not represented here. Most of them meet the membership tests of our Charter. They are peace loving and they have shown themselves able and willing to carry out the Charter's obligations. Their governments could reflect here important segments of world opinion.

To block the admission of such nations by use of the "veto" power is not only a grave wrong to them; it is also a wrong to this organization and to all of its members.

I hope that, during this tenth session, action will be taken by the Security Council and by this Assembly to bring these nations into our membership. Thus, the United Nations would enter its second decade better equipped to serve mankind.

This tenth session of ours must deal with the question of a Charter-review conference. That is mandatory under the Charter.

The United States believes that such a conference should be held. One impelling reason would be to reconsider the present "veto" power in relation to the admission of new members, particularly if that veto power continues to be abused.

Also, epochal developments in the atomic and disarmament fields may make it desirable to give this organization a greater authority in these matters. They are vital to survival itself. When the Charter was drafted, none knew of the awesome possibilities of atomic warfare. Our Charter is a pre-atomic-age charter.

Our founders believed that, after 10 years, the Charter should be reviewed in the light of that first decade of experience. I believe that they were right. That does not necessarily mean that drastic changes should be made. On the whole, the Charter has proved to be a flexible and workable instrument. But few would contend that it is a perfect instrument, not susceptible to improvement.

The United States believes that this session should approve, in principle, the convening of a Charter-review conference, and establish a preparatory commission to prepare and submit recommendations relating to the date, place, organization and procedures of the general review conference.

Steps Toward U. N. Goals

Let me turn now to some of the events which have occurred since last December, when the ninth session adjourned. On balance, these developments have contributed notably to the advancement of our Charter goals of international peace and security in conformity with the principles of justice and international law. I shall allude only to those where United States policy has played a part, usually in partnership with others.

Turning first to Europe, we see that the Federal Republic of Germany has become a free and sovereign state by treaties concluded with it by France, Great Britain and the United States.

. . . "Now the spirit of Geneva will be tested"

Concurrently, the Federal Republic joined the Brussels and North Atlantic treaties. Also, the Brussels Treaty was itself made over so that, in combination with the North Atlantic Treaty Organization, there was developed an effective system of limitation, control and integration of armed forces, the like of which the world has never seen before.

This system insures against the use of national force in the Western European area for aggressive and nationalistic purposes. The arrangements provide security, not only for the participants, but also for the nonparticipants. They end the conditions which have made Western Europe a source of recurrent wars, the last two of which have developed into world wars, endangering all.

Never before have collective security and individual self-restraint been so resourcefully and so widely combined. The result can be hailed as a triumph by all who believe in the dual principle of our Charter, that security is a collective task, and that "armed force shall not be used, save in the common interest."

As a sequence to these developments regarding Germany, Austria became free. The Austrian State Treaty, which had been pending for eight years, was signed last May, and now is in effect. Thus are finally fulfilled pledges given by the Moscow Declaration of November, 1943, and hopes which this General Assembly expressed at its seventh session.

It should be noted that the Austrian State Treaty, bearing the Soviet Union's signature, contemplates support for Austria's admission to the United Nations.

New Efforts to Cut War Danger

Quickly following these German and Austrian developments came new efforts by France, Great Britain, the Soviet Union and the United States to reduce the danger of war and to solve outstanding issues by negotiation.

Last May, the three Western powers proposed a "two stage" effort. The "first stage" would be a meeting of the heads of government themselves to provide "a new impetus" for a "second stage," which would be that of detailed examination of the substance of the problems.

The first phase of the program occurred at Geneva last July when the four heads of government met. They clearly manifested their common desire for peace and better relations. Specifically they agreed that further efforts should be made in three fields, namely: (1) European security and Germany; (2) disarmament; and (3) development of contacts between East and West.

Now, we enter on the agreed "second stage," where the spirit of Geneva will be tested. A United Nations subcommittee is already discussing the Geneva ideas about disarmament. Next month, the foreign ministers of France, the United Kingdom, the Soviet Union and the United States will meet at Geneva. The Western powers will associate with them, where appropriate, the Federal Republic of Germany and their other NATO partners.

At the coming meeting, agreed priority will be given to the closely linked problem of the reunification of Germany and the problem of European security. This is as it should be.

The German people have now been forcibly divided for over 10 years. The perpetuation of this division is a crime against nature.

Three quarters of the Germans are in the Federal Republic, and they are fortunate in having a great leader, Chancellor [Konrad] Adenauer. He stands for a united Germany that will be peaceful and that will find its mission in friendly co-operation with its neighbors. He is determined that Germany's legitimate needs for security and sovereign equality shall be met without a revival of German militarism.

It would, however, be a tragic mistake to assume that because most of the Germans now have chosen that enlightened viewpoint, the injustice of dividing Germany can therefore be perpetuated without grave risk.

There are many nations who feel that their own future security and world peace urgently require that Germany should be reunited, and enabled, if it so desires, to become a party to the Western European arrangements for limitation, control and integration of armed forces, so that they can never serve an aggressive purpose. There are others who profess to feel that a united Germany within NATO would endanger them even under these conditions.

To bridge this difference, the Western powers are ready to advance some over-all plan of European security which would give the Soviet Union substantial additional reassurances. The conjunction of this attitude of the Western powers with the like mood of the Federal Republic of Germany provides an unprecedented opportunity. But the German mood which I describe may not always persist. Also, it cannot be assumed that the Western powers, including the United States, will always be ready to enlarge their present commitments to meet Soviet concern about European security.

—USN&WR Photo

SECRETARY DULLES

The present opportunity is so unusual and so full of constructive possibilities that it can be hoped that the forthcoming four-power foreign ministers' meeting will find a solid basis for the reunification of Germany within a framework of European security.

At Geneva, President Eisenhower mentioned two causes of international tension which were not accepted for the agenda of the Conference. The first was "the problem of respecting the right of peoples to choose the form of government under which they will live." As to this, he said that "the American

. . . "In the Near East the situation remains troubled"

people feel strongly that certain peoples of Eastern Europe, many with a long and proud record of national existence, have not yet been given the benefit of this pledge of our United Nations wartime declaration, reinforced by other wartime agreements."

A Barometer of Soviet Intentions

President Eisenhower also raised the problem of international Communism. He said that for 38 years this problem has disturbed relations between other nations and the Soviet Union. It is, indeed, difficult to develop really cordial relations between governments, when one is seeking by subversion to destroy the other. The head of the Soviet Government took the position that these problems were not a proper subject of discussion at the Geneva Conference. Nevertheless, the eyes of much of the world will remain focused upon these two problems. What, in fact, the Soviet Union does about them will, to many, be a barometer of the Soviet's real intentions.

If the "spirit of Geneva" is genuine and not spurious, if it is to be permanent and not fleeting, it will lead to liquidating abnormal extensions of national power, which crush the spirit of national independence, and to the ending of political offensives aimed at subverting free governments.

Turning now from Europe to this hemisphere of the Americas, we find the Organization of American States continuing to demonstrate how the purposes and principles of the United Nations can be effectuated through regional arrangements for collective self-defense. The Organization's general meetings have promoted political understanding and economical and social co-operation.

On three occasions within the last 15 months, in relation to Guatemala, to Costa Rica, and now in relation to the Ecuador-Peru boundary dispute, the Organization has acted promptly and effectively to maintain international order. Its activities in this field have been fully reported to the Security Council, persuant to our Charter.

In the Near East the situation remains troubled. It has been difficult to assure the sanctity of the armistice lines established in 1948 under the auspices of the United Nations to end the fighting between Israelis and Arabs. The United States desires to pay high tribute to those who, during these troubled days, have been serving the United Nations, and particularly to General Burns of Canada [Maj. Gen. E.L.M. Burns, Chief of Staff, United Nations Truce Supervision Organization in Palestine] and his associates.

On August 26 of this year I addressed myself to certain fundamental aspects of this situation. I said that if the parties desired a stable settlement, they could, I thought, be helped from without. I had in mind financial assistance in relation to the problem of Arab refugees, and of irrigation projects which would enable the people throughout the area to enjoy a better life. I also spoke of the importance of bringing greater security to the area. I said that if nations from without the area made clear their readiness to contribute to these three essential aspects of a settlement, it might then be more possible to bring order, tranquillity, and well-being to the area itself.

President Eisenhower authorized me to say that he would recommend participation by the United States in these monetary and security commitments, if this were desired by the governments directly concerned, and on the assumption that action wherever feasible should be on an international basis, preferably under the auspices of the United Nations.

The United Kingdom immediately associated itself with these United States suggestions. A number of other countries have also indicated their support.

If there is a favorable response from the Near Eastern countries, many aspects of this problem would eventually come to the United Nations, for its action at some future session.

During the past year the fabric of peace in the Far East was strengthened by the coming into force of the Southeast Asia Collective Defense Treaty. An organizational meeting of the Treaty Council was held at Bangkok toward the end of February at the ministerial level.

This security arrangement is unique. It marks the first time that any considerable number of countries have banded together, in Eastern Asia, for collective self-defense. There are eight parties to the Treaty which, in addition, applies to Cambodia, Laos and Free Vietnam.

Also, the arrangement draws together Western and Asian countries. This would not have been possible had not all the parties firmly committed themselves to the principle of political independence and self-determination. This commitment is found both in the preamble to the Treaty and in the concurrent Pacific Charter which reflects the aspirations of men everywhere to be free.

The Southeast Asia Treaty does not envisage the establishment of a combined military organization comparable to that which has grown up under the North Atlantic Treaty. The conditions in the area do not readily lend themselves to the creation of a treaty force, in being and in place. Primary reliance is placed on the agreement of the eight signatories to treat any armed aggression in the Treaty area as a common danger to each party, calling for action on its part. That pledge will, we believe, work powerfully to deter aggression.

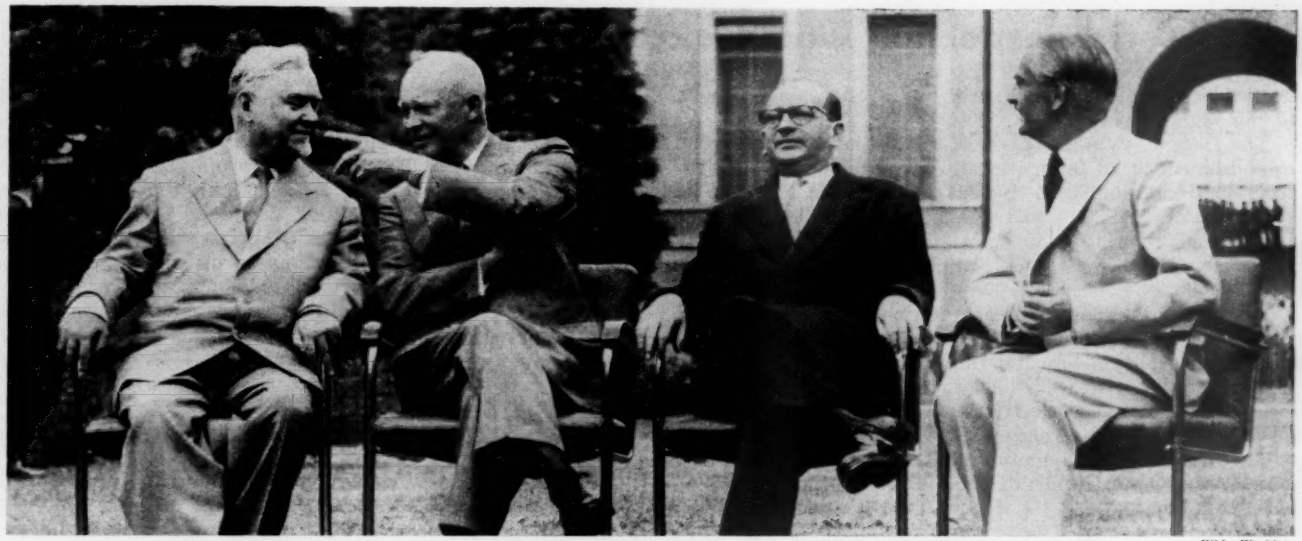
In the China area the situation is somewhat less ominous than it was. We hope that the "Chinese People's Republic" will respond to the manifest will of the world community that armed force should not be used to achieve national objectives.

Chinese Reds: "An Evil Record"

The record of this Communist regime has been an evil one. It fought the United Nations in Korea, for which it stands here branded as an aggressor. It took over Tibet by armed force. It became allied with the Communist Viet Minh in their effort to take over Indo-China by armed force. Then, following the Indo-China armistice, it turned its military attention to the Taiwan (Formosa) area. It intended to take this area by force, and began active military assaults on its approaches, which assaults, it claimed, were a first step in its new program of military conquest.

This constituted a major challenge to principles to which the United States is committed by our Charter. It was also a direct and special challenge to the United States itself. We have a distinctive relationship to these islands, a relationship which is reinforced by a mutual-defense treaty with the Republic of China covering Taiwan and Penghu [largest island of the Pescadores].

At this point, on Jan. 24, 1955, President Eisenhower asked the Congress of the United States for authority to use the armed forces of the United States in the defense of Taiwan and Penghu and related areas which the President might judge as appropriate to that defense. After full hearings in the House and the Senate of the United States, the requested authority was granted. In the House the vote was 409 to 3, and in the Senate the vote was 85 to 3. The authority termi-



—Wide World

AT GENEVA: RUSSIA'S BULGANIN, MR. EISENHOWER, FRANCE'S FAURE, BRITAIN'S EDEN
"If the spirit of Geneva is to be permanent, then all the world must be the gainer"

nates whenever peace and security of the area are reasonably assured by international conditions created by action of the United Nations or otherwise.

I am convinced that this timely warning, given with solid, virtually unanimous, national concurrence, served to prevent what could have been a dangerous miscalculation on the part of the Chinese Communists.

Shortly thereafter the Bandung Conference was held. There again the peace-loving nations—many of them members of the United Nations—made clear to the Chinese Communists their adherence to our Charter principle that states should refrain in their international relations from the threat of force.

From the site of the Bandung Conference, Mr. Chou En-lai proposed direct discussions with the United States, a proposal which I promptly indicated was acceptable to the United States so long as we dealt only with matters of concern to the two of us, not involving the rights of third parties. That reservation applied particularly, so far as the United States is concerned, to the Republic of China, to which we are loyal as to a long-time friend and ally.

Shortly thereafter the Chinese Communists released four and, later, the other 11, of the United States fliers of the United Nations Command whom it had been holding in violation of the Korean Armistice Agreement. This release had been sought by resolution of this General Assembly adopted last December. The outcome justified the confidence which the United States had placed in the United Nations and our restraint in the use or threat of our own national power.

Some 15 months ago, the United States had started talks with the "Chinese People's Republic" at Geneva with regard to getting our civilians home. As a result of the Bandung statement made by Mr. Chou En-lai and my reply, these talks were resumed last August, to deal first with the topic of freeing civilians for return, and then with other practical matters of direct concern to the two of us.

All Chinese in the United States who desire to return to their homeland are free to do so. They have always been free to do so except for a few who were temporarily prevented by restrictions arising out of the Korean war. The "Chinese People's Republic" has now declared that all Americans on the China mainland have the right to return and will be enabled expeditiously to exercise that right.

For the favorable trend of events to which I refer, thanks are due to many. Our Secretary General [Dag Hammarskjöld] worked assiduously to bring about the release of United States fliers of the United Nations Command. Other governments and individuals were helpful in this and other matters. The will of the world community may have operated to avert another war, the scope of which could not surely be limited.

Progress in Atomic-Energy Fields

Last year I spoke of the peaceful uses of atomic energy. We had gone through a period of disappointing negotiations to secure the participation of the Soviet Union in the program presented to you by President Eisenhower on Dec. 8, 1953. In the face of a negative Soviet attitude, we had resolved, nevertheless, to go ahead.

Last September I mentioned four activities which we promised to commence immediately. Since that time we have made good progress in each of these fields.

The negotiations for establishment of an International Atomic Energy Agency have led to the preparation of a draft statute establishing such an agency.

An International Conference on the Peaceful Uses of Atomic Energy was held with outstanding success last month at Geneva. This Conference was so successful that the United States will again propose a similar conference to be held in three years or earlier if the increasing development of the peaceful uses of atomic energy will so warrant.

The first reactor training course at our Argonne National Laboratory is nearing completion and an enlarged course is about to begin.

Distinguished doctors and surgeons from other countries are visiting our hospitals and research establishments where atomic energy is used for the cure of cancer and other diseases.

The Soviet Union is now taking a more co-operative attitude, and we gladly note the recent offer of Premier [Nikolai] Bulganin to set aside fissionable material for the work of the proposed International Agency when it comes into existence.

Much has happened, we see, to give reality to the vista of

. . . "Aerial inspection would exclude the greatest risk"

hope which President Eisenhower portrayed when he spoke to our eighth session.

The United States also plans at this session to propose the establishment of an International Technical Body on the Effects of Atomic Radiation upon Human Health. It would be composed of qualified scientists who would collate and give wide distribution to radiological information furnished by states members of the United Nations or specialized agencies.

The United States is itself giving much study to this matter. We believe that properly safeguarded nuclear testing and the development of peaceful uses of atomic energy do not threaten human health or life. But this is a subject of such transcendent concern that we believe that all available data should be sought out and pooled under United Nations auspices.

On July 21 of this year, at Geneva, the President of the United States took still another major initiative. Dealing with disarmament, and addressing himself for the moment princi-

—United Press

FORUM OF NATIONS AT THE U. N.
". . . an era of change"

pally to the delegates from the Soviet Union, he proposed that, as a beginning, each of our two nations should provide the other with information as to its military establishments and with facilities for unrestricted aerial reconnaissance of the other.

The logic of this proposal is simple and clear. Major aggression is unlikely, unless the aggressor can have the advantage of surprise and hope to strike a blow which will be devastating because unexpected. But the preparation of an attack of such magnitude could hardly be concealed from aerial inspection. Aerial inspection would not, of course, detect everything or be itself a final comprehensive system of inspection. But aerial inspection would detect enough to exclude the greatest risk. As such it would open the way to further steps toward inspection and disarmament which we all, and I emphatically include the United States, want to see taken.

Long experience makes it apparent that when there is a sense of insecurity and when arms consequently seem needed, limitation of armament is virtually unattainable. Reductions of armament occur when fear is dissipated and when arms seem less needed.

It was, I believe, immediately sensed by all that if the United States were to permit Soviet overflights of its territory, and if the Soviet Union were to permit the United States overflights of its territory, that would go far to show that neither had aggressive intentions against the other. Then, as President Eisenhower pointed out in his plea at Geneva, it would be easier to move on to a comprehensive, scientific system of inspection and disarmament. The essence of the President's proposal was that it would, as a beginning, do what is required of a beginning; namely, make it more possible to take subsequent steps.

An End to the "Cold War"?

I hope that the sentiment of this General Assembly will make clear that this beginning should be made as simply as may be and as quickly as may be. From such a beginning can come, and I believe will come, solid advance toward our Charter goal of reducing the "diversion for armaments of the world's human and economic resources."

Then we can realistically look forward to fulfilling the desire close to the hearts of all our peoples—a desire voiced by President Eisenhower at our recent meeting in San Francisco —that more of this earth's resources should be used for truly constructive purposes, which would particularly benefit the underdeveloped areas of the world.

It was 10 years ago last month that the fighting stopped in World War II. We have lived through the subsequent decade without another world war. That is something for which to be profoundly thankful. But true peace has not been enjoyed. There have been limited wars; free nations have been subverted and taken over; there has been the piling up of armament, and the rigidities of position which are imposed upon those who regard each other as potential fighting enemies.

That phase may now be ending. I believe that all four of the heads of government who were at Geneva wanted that result and that each contributed to it. In consequence, a new spirit does indeed prevail, with greater flexibility and less brittleness in international relations.

"All the World Must Gain"

Some find it interesting to speculate as to which nations gained and which lost from this development. I would say that, if the spirit of Geneva is to be permanent, then all the world must be the gainer. The "summit" meeting, if it is to be historic, rather than episodic, must usher in an era of peaceful change.

It will not be an era of placidity and stagnancy, in the sense that the *status quo*, with its manifold injustices, is accepted as permanent. It will be an era of change, and it will have its strains and its stresses. But peoples and governments will renounce the use of war and of subversion to achieve their goals. They will accept orderly evolution toward the realization of legitimate national aspirations. They will develop wider economic intercourse among themselves. They will increasingly respect human rights and fundamental freedoms. And human effort will be dedicated to what is creative and benign.

The United Nations, too, will change. Given good will and mutual confidence, many provisions of the Charter will gain new meaning and new vitality.

Let us together strive that the next decade shall be known as the healing decade of true peace.

V. M. Molotov Declares—

U.S. SHOULD CUT FORCES, GIVE UP OVERSEAS BASES

Replying to the U. S. Secretary of State, the Soviet Foreign Minister, V. M. Molotov, in a major address made these points:

• United Nations must speak out against the arms race and outlaw atomic weapons.

• Big Four Conference at Geneva last July raised new hopes for peace, which the next Geneva talks in November should encourage.

• German problem can be solved by setting up an all-European security system.

• No need exists to revise U. N. Charter.

Mr. Molotov also called upon all powers—meaning the U. S.—to give up their bases in foreign territories.

Following are extracts from the United Nations' unofficial translation of an address by Vyacheslav M. Molotov, Soviet Foreign Minister, before the U. N. General Assembly, New York, Sept. 23, 1955:

The most important international event of recent times was the Geneva Conference of the heads of government of the U.S.S.R., the U.S.A., Britain and France which has exerted a profound influence on the international atmosphere. For the first time since 1945, the heads of government of the four powers established personal contacts and exchanged views on a number of paramount and urgent international issues. That in itself is a noteworthy fact, bearing in mind the kind of relations that developed among these powers during the past decade.

The significance of the Geneva Conference lies in the fact that the leading statesmen attending it clearly expressed the desire of their governments to relieve the people of the fear of a new war.

The public reacted so enthusiastically to the Geneva Conference for the reason that it marked a certain change of trend in the relations between the U.S.S.R., the U.S.A., Britain and France—a change that has exerted its influence on the international situation in general. The trend changed in the direction of seeking ways and means to overcome existing difficulties and to achieve appropriate agreement on the outstanding international issues through negotiations to be conducted in the spirit of mutual understanding and co-operation among nations.

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Since the second World War, deep changes have taken place not only in Europe but in Asia. Developments of considerable importance have also occurred in Africa.

The first fact—and one that should not be underestimated—is the formation of the great Chinese People's Republic as a result of the victory gained by the Chinese people, who thus crowned their age-long struggle for national independence and freedom. The emergence of the new, the people's democratic China—whose legitimate rights and interest as a great sovereign power we must all take into account—constitutes the greatest historical event of recent times. The rise and consolidation of the Chinese People's Republic which enjoys wholehearted support of the great Chinese people represents a powerful factor for the peace not only in Asia and the Far East but throughout the world.

An important part in the maintenance of peace and security in the Far East can and should be played, along with other nations, by Japan. Success of the talks on the normalization of relations between Japan and the Soviet Union now in progress in London would undoubtedly meet the interests of both the Japanese and the Soviet people and would promote relations in the Far East.

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As for the Soviet Union, it remains, as heretofore, a consistent champion of peace and progress. Peoples standing up for national independence, freedom and the interests of peace among nations will always find active and wholehearted sympathy on its part.

It is a fact that recent years have been marked by a growing desire for greater commercial and other economic contacts and the removal of discrimination in East-West trade.

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Thus a number of recent developments and, in particular, the Geneva Conference of the heads of government have reflected the far-reaching changes now in progress on the international scene. This does not mean that all the difficulties have been surpassed. We still have to overcome many prejudices and barriers on the road ahead. For instance, some people still speak of the so-called satellites. But, when they refer in that way to the peoples of Eastern Europe, they simply carry over a familiar term to countries where it is entirely inapplicable and where the people have attained a much higher level in their close ties with the government than in certain other parts of the world.

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Under present conditions, the termination of the armaments race must be regarded as the primary objective.

It is a fact that the armaments race has assumed unprecedented proportions, particularly in recent years. The so-called conventional weapons are being constantly piled up. So are the atomic and hydrogen weapons which, moreover, are becoming ever more destructive and dangerous. Military expenditures have been inflated to an unheard-of extent, and they fall heavy on the shoulders of the working people—on the shoulders of the workers, farmers, office employes and small property holders. Enormous material and human re-

. . . "We recognize importance of aerial-photography proposals"

sources are being diverted for war preparations, instead of being used for constructive purposes, to improve the welfare of the people and to benefit economically underdeveloped countries and areas.

This state of affairs must not be allowed to continue. The United Nations must speak up emphatically against the arms race and in favor of reducing armaments, outlawing atomic and hydrogen weapons and removing the danger of another war.

The proposal of the Soviet Government on the reduction of armaments, prohibition of atomic weapons and removal of the danger of a new war meets these purposes. . . .

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These proposals refer to the need to cease war propaganda, as decided by the General Assembly several years ago. We should see to it that this resolution is implemented. The Soviet proposals also speak of the need for agreement to do away with military bases on the foreign territories. . . .

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The new Soviet proposals on the reduction of armaments and prohibition of atomic and hydrogen weapons represent a major step to narrowing down further the differences between the U.S.S.R. and the Western powers on disarmament. . . . The Soviet Government has accepted the Western proposals on levels of armed forces for the five powers, namely 1 million to 1.5 million men for the U.S.A., the Soviet Union and the Chinese People's Republic and 650,000 men for France and Britain. . . .

The Soviet Union's acceptance of the maximum levels of armed forces for the five powers proposed by Britain, France and the United States has made pointless the objections to the banning of atomic weapons on the ground that these weapons compensate for the "backwardness" of the Western powers in conventional weapons and are a means of maintaining a "balance" in armaments between the West and the East. . . .

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The Soviet Union attaches considerable importance to the setting up of controls over disarmament measures, and its proposals provide for the granting of wide rights and powers to the control bodies. The Soviet proposal to have control posts established on a mutual basis at railroad and highway junctions, at airdromes and seaports, on the territories of the nations concerned, provides the requisite conditions for establishing effective controls and would be particularly important in preventing surprise attack by one state on another.

° ° °

Sincerity of President's Plan

At this point, reference should be made to the well-known proposal on the exchange of military information and on aerial photography made by President Eisenhower at the Geneva Conference. We recognize the importance of the President's proposals. We regard them as an expression of a sincere desire to facilitate the solution of the important problem of international control and inspection. And it is from this point of view that we are engaged in studying this proposal and its various aspects.

In so doing, we are, naturally, interested in ascertaining to what extent that proposal would contribute to a reduction of armaments and to the settlement of the problem of outlawing atomic weapons; that is to say, to what extent it would help to fulfill the principal task—that of ending the armaments race and relieving the people of the heavy burden of inflated military budgets and various war preparations. . . . In this connection we cannot disregard yesterday's statement by the head of the U. S. Delegation [Secretary of State John Foster Dulles]. He said that "limitation of armament is virtually unattainable." This statement throws doubt on the work of the Disarmament Commission set up by the General Assembly.

[The American delegation challenged Mr. Molotov's interpretation of the Dulles quotation.]

° ° °

Considering that any steps by nations to end the arms race and cut down armaments would represent an important contribution to a further relaxation of international tension and building up of confidence among nations, the Soviet Government has decided, as of Dec. 15, 1955, to reduce the strength of the Soviet armed forces by 640,000 men. That is not merely a wish or a plan but a practical beginning in the substantial reduction of armaments and armed forces, as far as the Soviet Union is concerned.

The Soviet Delegation expresses the hope that the other powers possessing substantial armed forces in their turn would take steps, as a token of good will, to reduce their armed forces without waiting for agreement to be reached on the conclusion of an appropriate international convention.

Foreign Bases: Causes of Tension

We are all aware of the fact that the existence of military bases on foreign territories is one of the main causes of international tension.

As far as the Soviet Union is concerned, it maintained until recently only two military bases outside of its borders. One of them was at Port Arthur, in the Far East, and was administered jointly by the Soviet Union and the Chinese People's Republic. At the end of last year, on the initiative of the Soviet Union, agreement was reached between the U.S.S.R. and the Chinese People's Republic to have this joint Soviet-Chinese base placed entirely at the disposal of the Chinese People's Republic. . . .

Another military base maintained by the Soviet Union was in the Porkkala-Udd area, on Finnish territory. This base was set up under the peace treaty which entered into force in 1947 for a period of 50 years. In accordance with the agreement just concluded between the Soviet Union and Finland, on the initiative of the former, this Soviet military base will also be liquidated in the near future. . . .

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In this case, again, the Soviet Government has proceeded from words to deeds. This gives us reason to call upon the governments of other powers, and particularly of those which maintain numerous bases on foreign territories, to give up their bases. Such a course would, undoubtedly, best meet the need to call off the armaments race, build up confidence among nations and end the cold war.

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. . . The Soviet Government raised the question of having an effective security system established in Europe, and to that end presented an appropriate proposal for the consideration by the countries concerned. That proposal provides for the establishment with the participation of the U.S.A. of a collective-security system in Europe based on the joint efforts of all European countries, irrespective of their social and political system.

The Soviet Union is willing, of course, to study any other proposals designed to ensure European security.

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The Paris agreements which were concluded this year,

. . . "No grounds for revision of the U. N. Charter"

and which provide for the remilitarization of Western Germany and its integration into the military groupings formed by some of the Western powers, have been particularly instrumental in aggravating the situation in Europe and have given rise to serious difficulties to the reunification of Germany.

The establishment of an all-European security system would help create more favorable conditions for the settlement of the German problem, too, including the reunification of the country, since the solution of that problem is inseparable from the task of establishing a system of European security and from the question of whether it would become a bulwark of peace and international security.

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As for the German problem as a whole, the above makes it clear that under present conditions it will find its solution through the setting up of an all-European security system.

The situation in Asia and the Far East, too, cannot fail to attract the attention of the General Assembly. Among the outstanding international problems, those relating to Asia and the Far East are particularly urgent in character.

Formosa "a Threat to Peace"

The first problem to be emphasized in this connection is that of Taiwan [Formosa]. This ancient part of Chinese territory remains disunited from the Chinese People's Republic. This constitutes a grave obstacle to the normalization of the situation in the Far East as a whole and a threat to peace and tranquillity in this area. . . .

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The need urgently to restore the legitimate rights of the Chinese People's Republic in the U. N. has already been discussed here. We have heard some unconvincing arguments in opposition. . . .

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We should not forget that, although the Korean war has ceased, the problem of Korea is far from settled. This means that the countries concerned must exert their efforts to find ways to bring about the definite, peaceful settlement of the Korean problem. Under present conditions, the establishment and development of ties between North and South Korea and *rapprochement* between them with the ultimate aim of achieving agreement on the restoration of Korea's unity would be of the utmost importance. It should be noted that the Government of the Korean People's Democratic Republic has repeatedly advanced concrete proposals regarding the establishment of cultural and business relations between the North and the South. It is to be regretted that the Government of South Korea takes a different view on these matters and makes no secret of its preparations for aggressive action against the Korean People's Democratic Republic. Obviously, this approach on the part of the South Korean Government constitutes a serious handicap to the settlement of the Korean problem—a fact which we cannot disregard.

The problem of Indo-China, too, still awaits its final settlement. The Geneva agreements on Vietnam, Laos and Cambodia which brought to an end the hostilities in Indo-China mapped out the ways and means for a settlement in this area on the basis of recognition of the indisputable and legitimate national rights of its people to an independent and free existence. On the whole, the principal provisions of the Geneva agreements on Vietnam, Laos and Cambodia are being fulfilled, though not without delay. Nevertheless, it would be pointed out that far from everything is being done to solve adequately the important political problems arising out of the said agreements. . . .

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Reference should also be made to the statement of great importance made by Premier Chou En-lai of the State Council of the Chinese People's Republic at the recent session of the all-China assembly of people's representatives, in which he supported the idea of convening such a conference to discuss the problems of Asia and the Far East, and expressed the hope that the countries of Asia and the Pacific, including the United States of America, will agree to negotiate a collective peace pact in that area. This pact is in the interests of the people of Asia while the military blocs such as SEATO [Southeast Asia Treaty Organization], constitute a direct danger to the security of the peoples of Asia and the Far East and to their national independence.

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At this session, the General Assembly must deal with the question of a general United Nations conference to review the charter.

It is the opinion of the Soviet Union that there is no grounds for revision of the U. N. Charter. . . .

° ° °

The Soviet Union is in favor of having the question of the admission of new members settled without delay. For this reason, the Soviet delegation declares that it is willing to support the simultaneous admission to the U. N. of the 16 states which have applied for membership.

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Red Disarmament Resolution

In conclusion, the Soviet delegation submits the following draft resolution for consideration by the General Assembly:

Measures for the further relaxation of international tension and development of international co-operation.

The General Assembly notes with satisfaction the efforts made by states, particularly of late, to relax international tension, promote mutual confidence and develop co-operation among nations. In this respect the Geneva Conference of the heads of government of the four powers, the Bandung Conference of Asian and African countries and also the development of contacts between the political leaders of different states is of particular importance.

The General Assembly calls upon governments to continue their efforts in the interest of consolidating universal peace and security and to seek a further improvement of relations and building up of confidence among states.

The General Assembly attaches particular importance to the consideration of proposals by states designed to put an end to the armaments race and to settle outstanding international problems through negotiations, consideration of the proposals of the Soviet Government of May 10 and July 21 last on the reduction of armaments, prohibition of atomic weapons and removal of the threat of a new war, the proposals of the United States of America on the implementation of the disarmament proposal made by the President of the United States on July 21 last at Geneva, the proposals introduced at Geneva by Britain and by France and of pertinent proposals by other states.

The General Assembly shall consider these and other possible proposals, regarding as its principal tasks the removal of the threat of a new war, achievement of security and confidence in the morrow and creation of conditions for a peaceful and tranquil life for people throughout the world.

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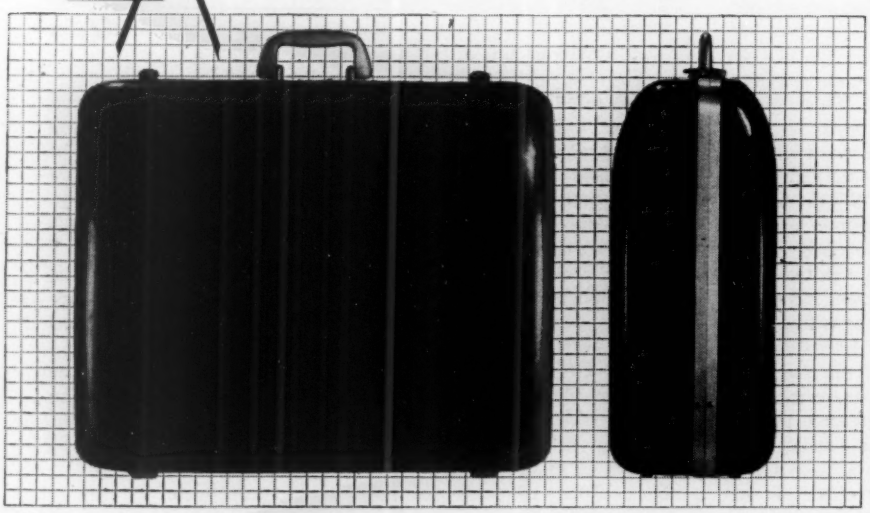

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NEWS-LINES

WHAT YOU AS A BUSINESSMAN ☑ CAN and ☒ CANNOT DO

as a result of recent court and administrative decisions

☑ **YOU CAN** now obtain from your tax collector new rules for reproducing various ***tax-return forms.*** Ask for revised ruling 55-573, which covers return forms for individual and corporation income taxes, estate and gift taxes, declarations of estimated tax and others.

* * *

☑ **YOU CAN** probably count on the National Labor Relations Board to uphold the results of an election in your plant even though, at the time of the balloting, you had some new workers who were ineligible to vote. The Board decides that a ***collective-bargaining election*** should not be invalidated in a case where about one fifth of the employes could not qualify to vote.

* * *

☑ **YOU CAN,** as a manufacturer who uses ***copper,*** probably get more of the metal in the fourth quarter of this year than you expected. The Office of Defense Mobilization announces that it is making an additional 11,000 tons of copper available to industry during the final quarter of 1955.

* * *

☑ **YOU CAN** look for the Federal Commission to regulate the sales of ***natural gas*** destined for eventual shipment across a State line for resale. The Commission rules that it has power to regulate a natural-gas producer's sales to processors and gatherers who in turn sell to interstate pipelines.

* * *

☑ **YOU CAN** find out from your tax collector how to make your quarterly report on ***excise taxes*** that were changed on September 1 by an act of Congress. How to handle this is explained in Internal Revenue Service Publication No. 222—"Additional Instructions for Form 720 for Quarter Ended September 30, 1955"—which is available at district tax offices.

* * *

☑ **YOU CAN** probably get the Labor Board to stop a union from ***picketing*** your trucks while they are making deliveries on the premises of a customer who has no dispute with the union. NLRB finds that a union violated the

secondary-boycott provision of the Taft-Hartley law by such picketing when it also could, and did, picket the premises of the company owning the trucks.

* * *

☑ **YOU CAN** buy ***rice*** from the Government for export at a lower price than heretofore. Export prices of several varieties of the grain held by the Commodity Credit Corporation are reduced by the Department of Agriculture.

* * *

☒ **YOU CANNOT,** under an incentive-type ***Government defense contract,*** obtain total advance payment on the contract of more than 105 per cent of the total costs that you have incurred. The Department of Defense orders this provision written into incentive and price-revision contracts after October 1.

* * *

☒ **YOU CANNOT,** in figuring your ***Social Security tax*** on an employe, take into consideration wages paid to him by another employer. The Internal Revenue Service rules that an employer may not consider wages paid by another employer in determining, under the Federal Insurance Contributions Act, the first $4,200 paid to an employe.

* * *

☒ **YOU CANNOT** expect to receive free of charge certain services from the ***Bureau of Land Management*** that in the past have been provided without charge. The Secretary of the Interior approves fees ranging from $5 to $15 for 59 services previously provided free or at little cost. Involved are such things as public-land transactions, mineral and grazing leases and permits.

* * *

☒ **YOU CANNOT,** during collective bargaining, safely refuse to discuss a union's proposal that side agreements, both written and oral, be incorporated in the main written contract. The National Labor Relations Board holds that an employer did not carry out his ***Taft-Hartley duties*** to bargain when he would not consider such a union request regarding side agreements.

* * *

☒ **YOU CANNOT,** under a new rule of the Civil Aeronautics Administration, fail to notify that agency if you sell your private plane.

Conclusions expressed in these paragraphs are based upon decisions and rulings of courts and Government bureaus. In making their decisions, courts and bureaus consider many facts which, for reasons of space, cannot be set forth in detail. U. S. NEWS & WORLD REPORT, *on written request, will refer interested readers to sources of this basic material.*

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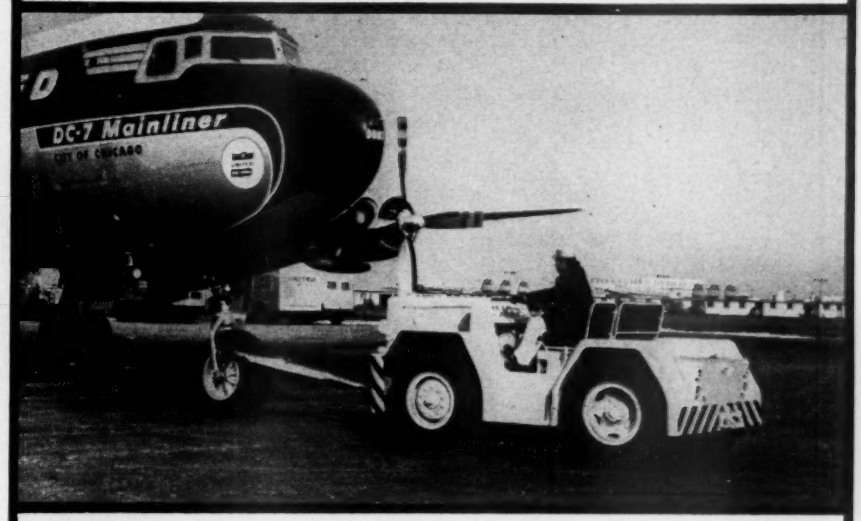

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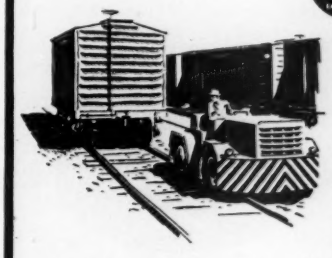

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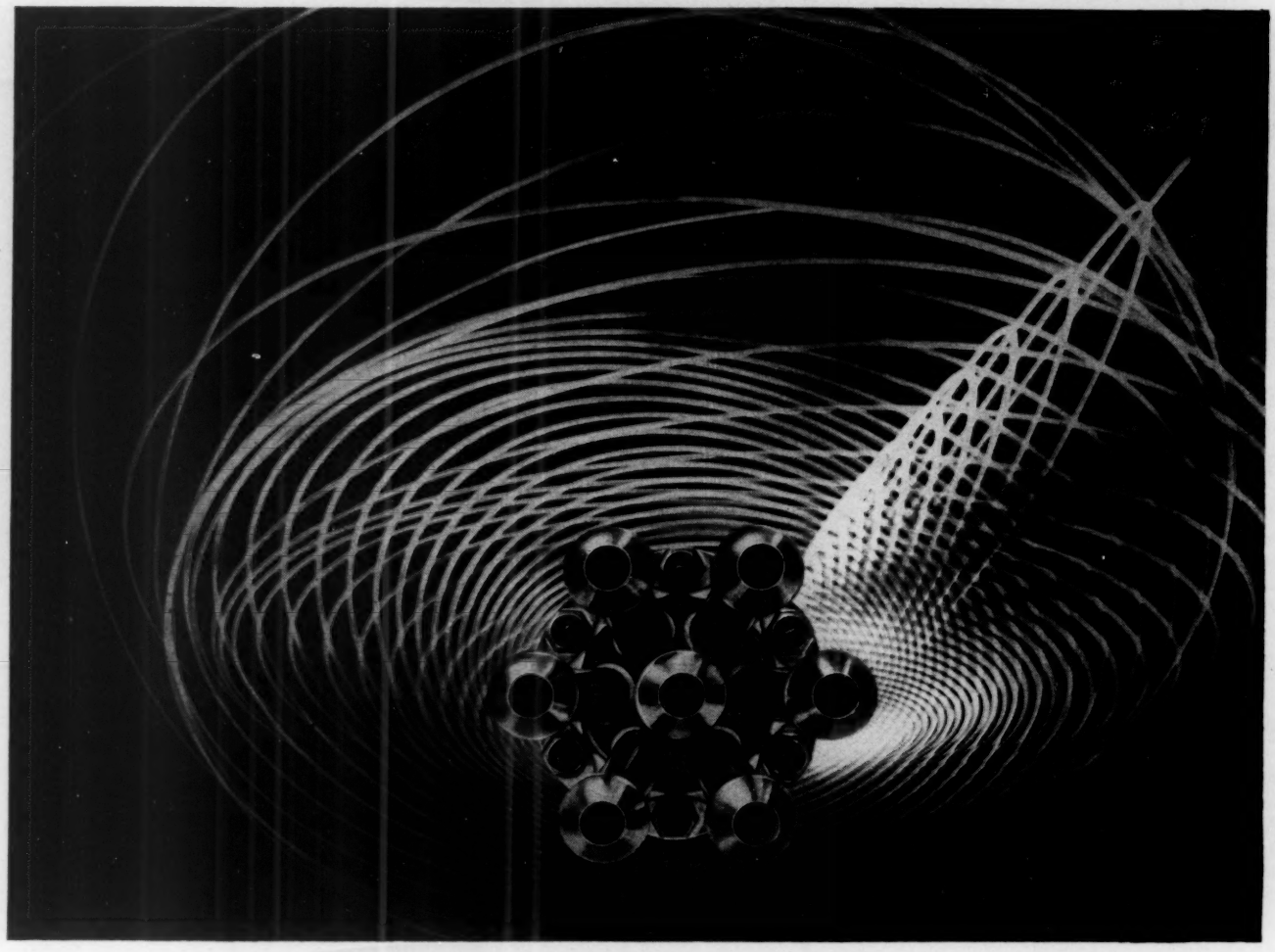
City ..... State .....

NO. 2 IN A SERIES

OUT OF THE LABORATORY



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What you are seeing is almost a world-wide attempt to control a boom by tightening up on money. That's going on particularly in U.S. and Europe.

Federal Reserve in the U.S. has been applying restraints since late 1954.

Reserve Banks are selling Government securities. That tightens credit by withdrawing money from commercial banks, reducing their reserves.

Reserves of commercial banks are pretty tight. Reserves provide the basis for bank loans. For the banking system as a whole, additional reserves can be obtained only by borrowing from Federal Reserve Banks.

Discount rates charged by Reserve Banks are up to 2¼ per cent. That's the rate charged when banks want to get reserves by borrowing from Reserve Banks. The rate was 1½ per cent not many months ago.

Aim behind these moves is to discourage banks from loaning too freely and to make loans a little more expensive.

What's unusual about these moves is the timing. This is the season when demand for credit normally rises and when Reserve Banks usually supply funds. This year they are not doing that. Reason: to dampen the boom a bit.

Similar moves are being taken in 10 other non-Communist countries.

In England, the discount rate is up, installment credit is curbed, banks are being "persuaded" to cut the total amount of their loans. You get some more details about Britain's situation on page 111.

In Sweden, discount rate is higher, banks are under pressure to cut back loans, industrial construction is taxed, corporate taxes are higher.

In Norway, banks are put under reserve requirements, discount rate is up, ceilings on credit are applied to mortgage lenders.

In Denmark, banks are urged to tighten loans, support price for Government bonds is lowered, discount rate is up. Denmark also has reduced subsidies on housing and applied a national sales tax.

West German Central Bank has raised discount rate and required reserves.

Belgium and Austria have adopted similar money policies.

New Zealand, Japan, Canada also are tightening up.

Basic cause of all this is prosperity. Business is booming throughout a good part of the non-Communist world. Banking authorities in these countries don't want the boom to get out of hand. They hope they are acting in time.

Also, from top U.S. officials you are getting these views:

Borrowed money perhaps is being used to finance too many activities.

Savings are not adequate enough to meet the demands for capital.

If people saved a little more, spent a little less, then business and

(over)

individuals would borrow a little less and a better balance might be reached.

Further increase in the money supply, at this time, should not be risked.

These observations were made to officials of New York savings associations by Robert B. Blyth, assistant to the Secretary of the Treasury. There is little doubt that he voiced the opinions of top policy makers.

Bank loans to business are leaping upward following the seasonal pattern.

Business borrowings for the week ended September 14 rose by 320 millions. These loans now stand at nearly 3.4 billions above a year ago.

Biggest borrowers for the week were manufacturers of textiles, apparel and leather goods, commodity dealers, food, liquor and tobacco manufacturers, firms in wholesale and retail trade, sales-finance companies.

A good deal of this borrowing is doubtless done to build inventories.

Bank money also is flowing increasingly into the mortgage market.

Real estate mortgage lenders were in debt to banks to the tune of nearly 1.4 billion dollars last August 10. This is disclosed in a survey of 400 large banks by the Federal Reserve Board. A year ago that debt was 606 million.

Part of these loans were made for "warehousing" mortgages. That is a practice whereby lenders pledge mortgages for a short term so that they can get money to make more new mortgage loans. Later pledged mortgages are bought back. It's a method of putting short-term bank credit into the long-term mortgage market. Banking authorities frown on the practice at this time.

Recent moves to tighten credit, however, are not doing much to take the edge off the boom. Here's an appraisal of purchasing executives:

Business seems certain of staying on its present high plateau through the remainder of 1955 and into 1956.

Almost all reporting firms--93 per cent--say that production in September is as high or higher than it was in August.

New orders also are higher for 92 per cent of the firms.

Higher commodity prices are not putting a damper on buying.

Inventories are rising, but would rise more if supplies were available.

Purchasers are buying a little further in advance than in the early part of the year, but 76 per cent say they are scheduling only for actual needs.

U.S. Chamber of Commerce also sees good business ahead.

Retailers are counting on the best Christmas volume in history.

Construction, heading for a record this year, will go higher in 1956.

Auto output, also heading for a record, will stay high in 1956, too.

The Chamber, in a quarterly report on the business outlook, finds all of the business barometers at new highs except agriculture. Rate of expansion in business is expected to become more moderate from now on, chiefly because the economy now is operating close to capacity.

Living costs, after edging up for two months, dipped slightly in August. Official index puts consumer prices at 114.5 per cent of the 1947-49 average. That compares with 114.7 in July, 114.4 in June, 115 in August, 1954.

Price decline comes chiefly in food and some household furnishings. Rise in metal prices has not yet shown up in official figures.

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WHY RUSSIA "HAS NO DEBT"

Government Can Wipe It Out When It Becomes a Burden

Talk about "no debt" in Russia is partly right.

Soviet variety of "debt" can be canceled at any time.

Russians draw no interest on their "savings bonds," and will consider themselves lucky to get the principal back.

It's against the law to lend for private profit.

"Business" debt is free, and consumer debt nonexistent.

A report by a traveling U. S. Senator that the Soviet Union "has no debt" is drawing attention to the strikingly different roles that credit plays in Russia and in the U. S. What is revealed, however, turns out to be somewhat in contrast to what Senator George W. Malone (Rep.), of Nevada, saw.

It's true, as Senator Malone reports, that Russia balances its budget every year. It does this by lumping "proceeds of state loans" in with "revenues." That way, the budget has to balance.

Russia, in other words, is borrowing from its citizens—and borrowing heavily. This year's 32-billion-ruble state loan, measured in relation to national income, is many times as large as the cash deficit of the U. S. Treasury.

There's a difference, too, in the purpose of Soviet borrowing. Owning all industry, including banks, the Russian Government could get by without borrowing. But state loans, as Russia's own officials have written, are "a means for redistributing the national income."

A look at other kinds of borrowing and lending reveals that "credit" in Russia is not the institution that Americans know.

State loans in Russia actually are more like taxes than loans to Government. Where the U. S. Treasury borrows by offering securities to all who want to invest, Russia sees to it that workers "subscribe" their share of the annual loan through payroll deductions.

How "voluntary" these loan subscriptions are was disclosed by Georgi M. Malenkov while he was Premier last year. He boasted that he had been able to reduce workers' contributions to state loans. He was, he announced, cutting workers' subscriptions from one month's to two weeks' pay. Now, with Malenkov no longer in the top post in the Kremlin, Russian workers once again are "subscribing" a full month's pay each year to the state loan.

These Russian loans are referred to in other countries as an example of "forced saving." Russian workers themselves are not so sure. They know the process is forced, but they are not sure it's saving.

For one thing, Government bonds in Russia pay no interest. Instead, they pay off in a gigantic lottery. In the course of each 20-year loan, a fourth to a third of the lenders win prizes—some small, some large—and, in addition, get paid off short of the 20-year period. The remaining two thirds to three fourths of the "subscribers" must wait 20 years to get their money back, and with no interest.

Even then, Russians can't count on getting repaid. At the end of 20 years, the worker can be "asked" to take a new bond as repayment for the old.

Or, as a variation, the Russian Government could simply cancel the bond. In 1947, Russia canceled two rubles out of every three of its loans.

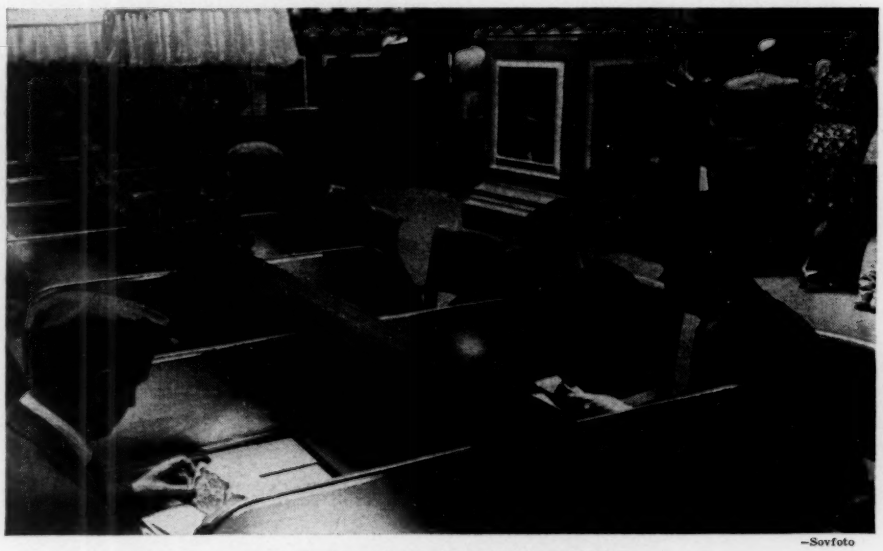
Despite that easy method of getting rid of debt, Russia is by no means debt free. Right now, the state loans outstanding come to something like 260 billion rubles—a bit more than a third the size of the total national product measured at current prices. In the U. S., where repudiation of a Treasury obligation would come as a national catastrophe, the debt of 277 billion dollars amounts to roughly three fourths of the gross national output.

The popularity of Russian "savings bonds," as a result of these factors, is less than overwhelming. It is easy for speculators to buy up the bonds from workers at big discounts—despite the fact that the bonds are not supposed to be sold.

This situation raises a real problem for the Kremlin, as Russian newspaper accounts reveal. The operations of one enterprising Russian citizen show what is happening. The speculator first managed to buy three new automobiles by getting his name on priority lists, waiting a year or so and standing in line at appropriate intervals to protect his priority.

He bought the cars for 16,000 rubles each—about twice the annual pay of a factory worker—and resold them to others of the Russian elite for 24,000. With his total profit of 24,000 rubles he bought up huge amounts of Russian bonds from citizens who were happy to take small sums of cash.

With such big holdings, the speculator was bound to win some prizes in the semiannual drawings. And the prizes were tax free. Most important, however, the public announcement of his winning



—Sovfoto

IN A RUSSIAN SAVINGS BANK
. . . depositors get 5 per cent interest

made it possible for him to spend money lavishly without arousing suspicion about his speculations.

Other credit forms also exist in Russia, some of them highly important.

In the planned economy, each "business" enterprise—owned by the state—gets an allotment of "working capital" from the state bank, also a Government enterprise. That credit is free, though over-the-limit credit must be paid for in interest charges.

These charges do not play the same role that interest plays in the U. S. The individual Soviet enterprise repays its loan promptly, not to save interest, but to avoid trouble with the state bank. Through "control of the ruble," the state bank—with its thousands of branches—is a powerful Government agency in the campaign to see to it that each enterprise meets its planned production or distribution goals.

Long-term credit, for capital expansion, also is free to the Russian industrial enterprise. Special investment banks provide, on a planned basis, expansion loans running for seven to 10 years. For banks owned by Government there is little point in interest charged to customers "owned" by Government.

Family finance, too, differs in Russia. Home loans are an example. Though the Government builds virtually all housing in Russia, individuals can get loans to build their own homes. These low-interest loans also run from seven to 10 years. Last September, the Russian Government reported that 26,000 private homes had been built already during the year and that more than 100,000 would be built before the year was over.

The Russian who gets one of these loans does not dash out to find a contractor. Hiring labor to build a private home is illegal. The lucky individual rounds up friends and relatives, who help him erect his home. This, in view of the trouble in finding materials, can be a long job.

The Russian family that buys a new car or a refrigerator does not go about it the same way as an American family either. The family fortunate enough to find a refrigerator in a store, or to get a priority on a car, pays cash. There's no such thing as the installment credit that keeps American homes operating. In a country that is straining to produce 330,000 refrigerators in 1955 for its 215 million people, no credit is needed to help sales.

Russian citizens are encouraged to save money much in the same way as Americans. Their deposits in Russia's savings banks pay about 3 per cent on the equivalent of checking accounts and around 5 per cent on savings deposits.

For Russians who recall what happened in 1947, there is a special incentive to pile up savings in that form. When the Government canceled two thirds of its debt, and traded one new ruble for each 10 old rubles of folding money, savings

(Continued on page 108)

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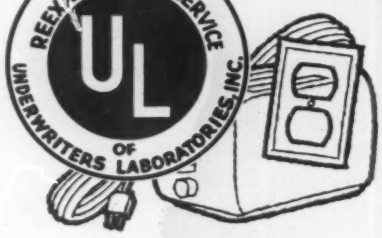

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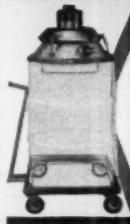

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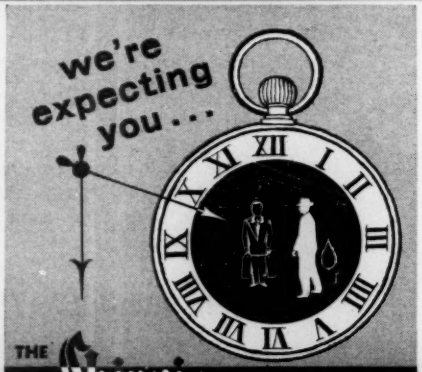

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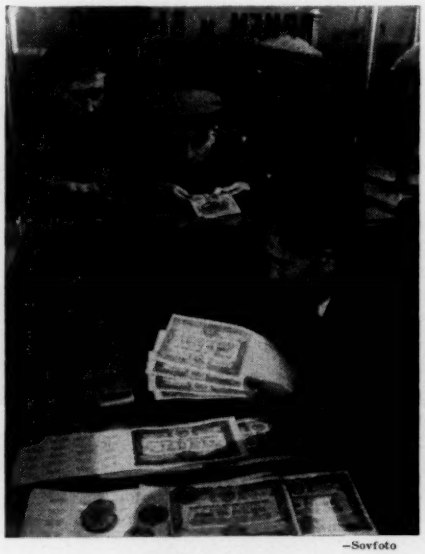
Safe investments hard to find in Russia . . .

deposits up to 3,000 rubles were left untouched. Even the biggest accounts were cut by only half.

In that shuffle, Russians remember, they came off much better on their savings deposits than on their holdings of Soviet bonds.

Debt in Russia is revealed by all this as an institution quite different from the one Americans know. As a result, so is investment.

With no liquid investments except savings deposits and largely interest-free Government bonds that can be canceled at any time, the Russian who manages to pile up some savings has a hard time



—Sovfoto

BOND BUYER
. . . gets no interest

finding a safe and useful place for his wealth. Relatively few manage to invest by building homes.

Many, however, use the savings banks, and virtually all workers find it advisable to buy bonds.

For individuals who manage to accumulate more than a little wealth, durable luxuries such as furs and jewelry are the best vehicle for investment. These investments, Russians know, pay no interest, but they at least can be sold for cash if the investor runs into trouble.

› Balancing the budget. The way to end the federal deficit is to fire one out of every 10 federal employes—in the opinion of Representative Edward H. Rees, of Kansas, senior Republican on the House Civil Service Committee. "With over 2.3 million civilian employes and a payroll approaching 10 billion dol-

. . . Average U.S. city has tax of $64 a head

lars," says Mr. Rees, "a 10 per cent reduction, still leaving over 2 million employes to perform really necessary tasks, would bring us very close to a balanced budget . . . Greater efficiency should result."

City man's burden. If city taxes that you and your family pay come to less than $64 a head, you're getting off relatively easy. The U. S. Census Bureau finds that, after a rise from $56 in 1952 and $61 in 1953, this $64 was the average per capita tax take of American cities in 1954.

Tax Deadlines Ahead

SEPTEMBER 30

- ***Manufacturers, retailers,*** others deposit excise taxes for August if more than $100.
- ***Gamblers, bookmakers*** pay tax on wagers accepted in August, form 730.

OCTOBER 17

- ***Executors*** pay third installment of 1954 estate income tax.

OCTOBER 31

- ***Employers*** deposit income and Social Security taxes withheld in September if more than $100.
- ***Employers*** withholding less than $100 a month in third quarter, 1955, file quarterly return and pay income and Social Security taxes withheld in third quarter.
- ***Housewives*** file Social Security tax return covering wages paid employes in third quarter, 1955.
- ***Farmers*** who owe Social Security taxes on wages of $100 or more paid employes file quarterly return, form 943A, and pay taxes.
- ***Manufacturers, retailers,*** others deposit excise taxes for September if more than $100.
- ***Manufacturers, retailers,*** others not making monthly deposits of excises file return for third quarter, 1955, form 720, and pay taxes collected in the quarter.
- ***Gamblers, bookmakers*** pay tax on bets accepted in September.

Some Revealing Facts About

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ONE of the most profitable methods of investing is to buy good growth stocks and hold them on a long term basis. These are issues whose earnings and dividends over the years are slanted upward at a steeper pitch than average. They include companies with outstanding managements and products of unusual promise.

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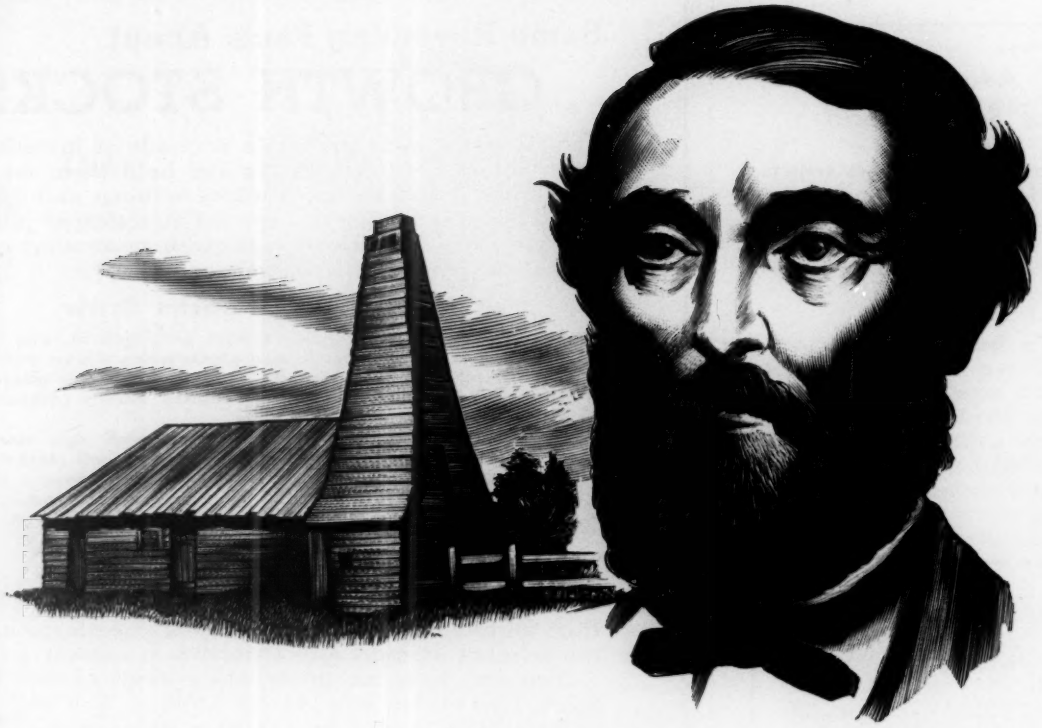
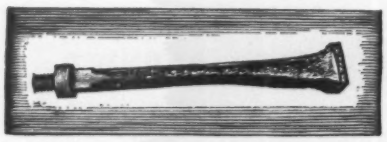


He drilled through rock and found a new industry



Colonel Edwin Drake drilled the first artesian oil well with an inch-and-a-half bit and an old-fashioned hand windlass.

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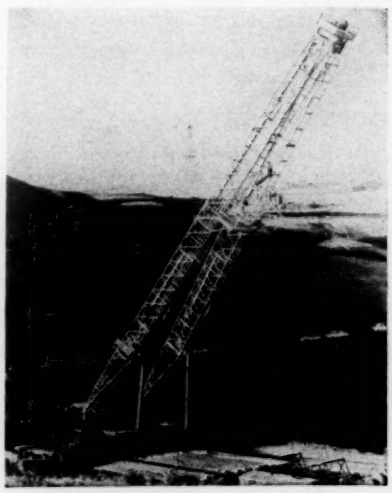

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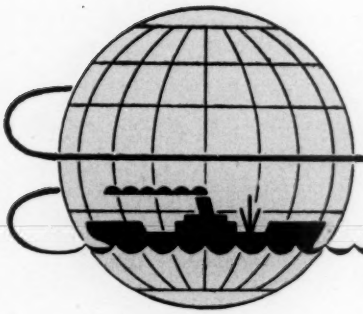


Business Around the World

LONDON

>> The bigwigs in Britain talk inflation and crisis.

Gloomy predictions exude from London's clubs and financial circles. There hasn't been such head waggling since the crisis of 1951.

Britain's crisis is becoming a tradition. Too many goods sold at home. Too few exported. Rumors of devaluation. It's all very familiar.

But the little man, the average Briton, sees no crisis. He has a job and a flock of shillings jingling in his pockets--unless he overspent on his holiday. The soccer season is under way. The weather is good. There's plenty to eat and drink. He and his missus--they're in an expansive mood. And why not? They have never been better off. Never had such a choice of goods in the shops.

Chancellor of the Exchequer R. A. Butler has the delicate job of reining in the man in the street, curbing his buying but preserving his mellow mood.

This control problem is now to get Mr. Butler's undivided attention. Only by curbs in Britain can confidence in the pound be restored abroad.

>> Mr. Butler's problem isn't easy. Buying, damped down one place, pops up in another. Installment-credit terms have twice been stiffened this year. Effects have been spotty. There may have been some falling off in time buying.

But travel has attracted the people's money instead.

This has been by far the greatest travel year in British history. More than a million British tourists traveled in continental Europe this summer.

Hotel porters are returning from Cannes on the French Riviera. A charwoman speaks of the pretty pigeons in San Marco Square in Venice. A bank clerk and his wife fly back across the Channel after staying at the best hotel in Madrid.

Such tourists spent close to a quarter-billion dollars. They sold pounds and bought lire, francs, pesetas. It's one reason for weakness in the pound.

But these people certainly don't lie awake at night worrying about any weakness in the pound sterling. They just want pounds--weak or strong.

>> Wages have been going up faster than prices for several years in Britain. Both are moving up strongly this year. Many more workers count on getting wage raises this autumn, as the big unions turn on the pressure.

Labor shortage is so acute that workers can virtually write their own tickets. This situation is attracting "colonials"--especially Jamaicans--into Britain. Some employers are meeting the boats, grabbing the newcomers.

Labor pirating is rife. Skilled labor, especially, is at a premium.

>> Bottom of Britain's labor barrel is being scraped. Percentage of married women working is higher even than in wartime. In addition, the percentage of

(over)

jobholders working overtime is bigger than ever before.

The question, though, is whether the labor force is being used efficiently.

For example: It takes 23 men to install an electric stove.....It seems that anything involving electricians is slowed down by featherbedding and red tape. The electricians' union is Communist-dominated.

Communists are also very influential in the amalgamated engineering union, which includes most of the mechanics and machinists in Britain. Building workers, also Communist-ridden, are notoriously inefficient.

A good deal of British inefficiency can be traced to Communists in unions.

>> In addition: British plants aren't as well equipped with automatic machines as American plants. A British worker doesn't have as much power at his elbow.

While productivity is improving in Britain, it isn't improving enough. The British worker, unlike the German, isn't willing to work long hours of overtime. Average work week is a little above 47 hours. Second-shift operations, using marginal labor, often show sharp drops in efficiency. Machinery, even when ready and waiting, isn't utilized as fully as in U.S. or West Germany.

Yet price and early delivery are crucial now to British exporters.

>> In the face of overfull employment, full pay envelopes.....

Workers worry about a depression. Older workers have grim memories of the unemployment of the '20s and '30s. They want to prolong this boom.

Overtime ought to be limited, many workers say. Stretch out the work.

Foreign workers ought to be kept out, coal miners insist. So do drivers of London buses, objecting to use of colored colonials from the West Indies.

These are sour overtones to the boom. The Communists won't let them fade.

>> Incentives for Britons to work longer and harder are not as strong as you might suppose. It's true that shop windows are full, and spending is at a peak, but prices seem high to workers earning only a third as much as U.S. workers.

If you sample some prices: A TV set, 17-inch screen, costs $240. A vacuum cleaner runs to $85. A refrigerator, medium size, comes to $285. The smallest British car you can buy will cost in the neighborhood of $1,400.

Prices like these limit--but don't halt--buying by British workers. Britons just take a little longer than American workers to buy what they want.

Buying on time, as a result, has flourished in Britain and lured into the home market far more consumer durable goods than the Government likes.

>> Idea behind Mr. Butler's credit squeeze in Britain is to discourage consumption at home while encouraging production for export. Now, as things stand.....

Credit is getting a little tighter in London. Interest rates on some types of loans are moving up slowly. New security issues are having to offer higher coupon rates. Bank loans appear to be rising less rapidly.

Bank rate--rediscount rate of Bank of England--will go higher, if need be.

>> A little deflation, maybe just a little unemployment, is urged by some British economists. But they're not in politics. They don't have to face voters.

What London expects is that Mr. Butler will continue to rely on credit control to rein in the boom. He may ask for restraints on wage demands and for limits on dividends. Higher income taxes, though, aren't expected this autumn.

Pretty penny for copper

A look at what modern banking does for one of the oldest industries on earth.

As any copper man can tell you, it *does* take a pretty penny to keep America's Copper Industry producing nearly a million tons of metal a year, from domestic sources alone.

Traditionally, profits after taxes and capital invested by stockholders finance copper progress. But sometimes—just as happens in the best regulated families—what goes out for expansion exceeds the capacity of working capital. That's where the banker pitches in, or more precisely... advances a pretty penny.

Bank Role

A bank loan made on the reputation and resources of a copper company goes to cover practically any activity from mining ore to perfecting new alloys for finished products. In mines, fabricating centers, and manufacturing plants bank loans help dig copper, refine copper and make copper products. And to complete the copper lending pattern, banks frequently help retail merchants stock shelves with the thousands of copper and brass items you use every day.

The Human Angle

All told, these bank loans to the Copper Industry come to many millions every year. But statistics aside, there's a human angle to the copper loan story.

Wherever money works in a freely competitive economy, men and women work, too, and the goods they produce . . . the wealth they create . . . make the whole nation happier, healthier and more progressive.

The Chase Manhattan Bank of New York, a leader in loans to American industry, is proud of the contribution banking has made and is making to the progress of our country.

THE
CHASE
MANHATTAN
BANK

(MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION)

What goes on behind the closed doors of a Soviet embassy? How much of Soviet diplomacy is just plain espionage?

Vladimir Petrov, Russian spy and diplomat who asked for asylum in Australia last year, brought some answers with him.

Last week, Mr. Petrov first told the story of British spies Guy Burgess and Donald Maclean. Those revelations touched off a furor in Great Britain, are causing repercussions around the world. That story appeared exclusively in the September 23 issue of *U.S. News & World Report*.

Now, Mr. Petrov and his wife, Evdokia, tell of their own spy activities.

Vladimir Petrov traces his 21-year career as a member of the Soviet spy network, climaxed by his appointment as third secretary of the Russian Embassy and chief of secret-police operations in Canberra, Australia.

You get the little-known story of a Russian mission to China in the '30s; of the secret liquidation of Agent 063—Chinese Governor of Yarkand.

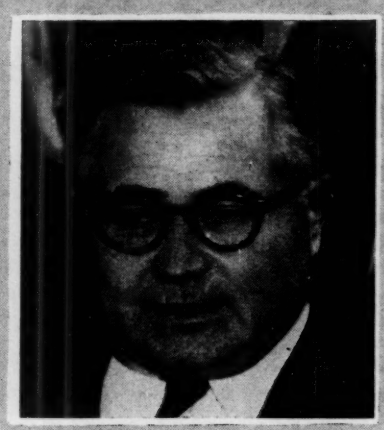
There is an inside view of the great purges of 1936, '37 and '38 in Russia, when Petrov's section of the secret police—the N.K.V.D.—worked day and night to keep up with the mass liquidations.

You glimpse the bare walls of the N.K.V.D. cellar, where political prisoners from all corners of Russia, and from the satellites, are brought for execution.

Here is a picture of Lavrenti P. Beria, chief of State Security, as he looked to one of his own employes—a picture that will be strange to most Americans. This Beria is "a good boss," efficient, responsible, and solicitous for the welfare of his staff. There is the story of other qualities that led to his downfall and execution.

The Petrovs paint an intimate picture of life inside a Soviet embassy. It is a topsy-turvy world, where the Ambassador lives in dread of his own staff; where an ordinary "secretary" may be the agent sent from Moscow to spy on her boss.

It's the story, too, of traitors found in every country, forming a network that fans out from each embassy. "Espionage," says Mr. Petrov, "is a distinct and principal Soviet industry."



VLADIMIR PETROV

By VLADIMIR PETROV

Former Top Agent of the Soviet in Australia

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(*U. S. News & World Report* has obtained first serial rights in the United States to print extracts from the Petrov story.

(Quotations of less than 1,500 words are released for publication in morning newspapers of Tuesday, Sept. 27, 1955, and for use on radio and television at the same time. No part of the Petrov story in excess of 1,500 words may be reprinted or used in radio or television broadcasts without written permission from *U. S. News & World Report* until 10 days after Sept. 30, 1955.)

Extracts from the Petrov story follow:

by Vladimir Petrov

Chapter I SECRET WORK IN CHINA

I joined the O.G.P.U. [secret police] in May, 1933, when I was 26. My reasons were simple; I wanted a job, and I wanted enough to eat.

° ° °

And I was very glad to have a pass to the excellent O.G.P.U. restaurant. We had fared well in the Navy; but the ordinary people of Russia, without these special privileges, were cruelly rationed and desperately short of food and clothing in those hard and hungry years.

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It was a hard grind for the seven of us who worked in the big room on the fourth floor of No. 6 Lubianka Street—the old O.G.P.U. building that had been an insurance office in Tsarist times. (It has since been demolished to make way for the imposing new M.V.D. building.)

Our section handled all the foreign communication between O.G.P.U. representatives abroad and headquarters in Moscow.

The cables I handled were all from Soviet "legal" representatives, that is, O.G.P.U. representatives who were appointed to Soviet diplomatic establishments abroad under cover of some legal office, such as I myself later held in Sweden and in Australia.

Any "Illegal Residents"—that is, agents who operated independently of Soviet official missions—had their own methods of communication to another O.G.P.U. department.

During the day I saw only the cables that were handed to me personally; but when I was on night duty I saw all that day's intake.

From these secret communications I got some fascinating insight into the relations of our Socialist homeland with the capitalist powers that encircled it, and into the operations of our agents in all parts of the world.

In the West it was the era of the rising threat from Fascist Italy and Nazi Germany; and I recall a flood of cables from our agents in Rome and Berlin.

Then came the Spanish Civil War. The Soviet's active intervention made it easy to infiltrate there, and to maintain excellent intelligence coverage; and I sweated till late into the night decoding lengthy cables reporting on the situation in Spain.

I remember a whole series concerned with the shipping of arms to the Spanish Republican Army through Finland, where the arms were bought to conceal the extent of Soviet intervention.

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In the late thirties, while one eye of Soviet policy looked westward with alarm at the menace of Nazi Germany and Fascist Italy, the other looked eastward with apprehension at the Japanese who became our neighbours by their occupation of Manchuria.

I decoded many cables from our N.K.V.D. [later name of secret police] Residents in Manchuria, Harbin and Mongolia, which was completely under Soviet control, though supposed-

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. . . "Orders were given that our troops should wear Chinese uniforms and that every effort should be made to conceal their part in suppressing the revolt and carrying out the purge"

ly independent. I handled the cables between Moscow and a special N.K.V.D. operational group sent to Mongolia.

But it was Sinkiang Province, in the far south-west of China, that gave me a vivid first-hand experience of Soviet intervention on foreign territory.

I knew that it was the scene of a powerful effort on our part to oust British and American influence, represented by missionaries and traders, and to bring the province wholly into the Soviet orbit.

Cables reported that the missionaries were foreign agents, propagandists and smugglers. And when the pro-Soviet puppet Government at Urumchi, the capital of Sinkiang, was threatened by a revolt of Army officers and tribesmen a detachment of N.K.V.D. border troops, with tanks and aircraft, was sent to help put down the rising, carry out a thorough purge, and eliminate anti-Soviet elements.

To prevent ill-disposed people such as foreign reporters asking what Soviet Border Guards and N.K.V.D. Internal Security troops were doing on Chinese soil, orders were given that our troops should wear Chinese uniforms and that every effort should be made to conceal their part in suppressing the revolt and carrying out the purge.

One day my section head, Ilyin, sent for me.

"The Chief of Communications with our troops in Sinkiang has asked for a capable man to take charge of cipher duties at the H.Q. there," he said, "I've decided that you are the man for the job. Hand over your present duties, and be prepared to move at once."

It was September, 1937, and early autumn tints were showing on the trees as I set out on the five-day train journey through the heart of Soviet central Asia.

I felt pleased and excited. After four years in slogging desk work, this assignment promised to be a stimulating change. Moreover, it was an important step up in my career; for with eight subordinates, I would now have my own independent cipher unit at the staff H.Q.

* * *

One of my first tasks was to handle the cipher traffic concerning an operation by which the rebel Chinese General in Hotan was captured.

The business was carried out through an N.K.V.D. agent in the area, a Chinese who was on good terms with the rebel General. This agent was in direct radio touch with Moscow and with us in Yarkand.

Acting on instructions, he told the General that an aircraft from Chinese Nationalist Headquarters was coming to the area, and would take him on an aerial tour of inspection of the battle positions.

Kidnaping a General

A Soviet plane arrived at the arranged time, with the crew in Chinese Nationalist uniforms. When embarking in the plane, the General at our agent's suggestion took his confidential seals with him for safety.

Once in the plane he and his escorts were disarmed, and were flown straight to Yarkand.

When the General was marched into the presence of our C.O., General Kraft, and was told that he must send false instructions to his troops, signed by himself, he was so terrified that he committed a physical indiscretion.

The faked orders threw the rebels into confusion and the revolt quickly collapsed. The General was sent to Moscow. But I heard nothing about his fate. It would depend on his usefulness.

Our assignment, after putting down the revolt, was to carry out a "drastic purge" of British, American and anti-Soviet elements.

A breath of suspicion, a single unfavourable report, was sufficient; the most common charges were that the accused was either a friend of the British or had been to Mecca (most of the people in the province were Moslems). Soviet agents were in every party of pilgrims to Mecca; for the Communist anti-God campaign was much more overt then than it is now.

* * *

"Safer dead" was the burden of the direction which we received from Moscow on the conduct of affairs in Sinkiang.

I did not, personally, see any of the British, Americans or Europeans who were executed during the purge in Sinkiang; most of them had been arrested by the Chinese Urumchi Government before our arrival.

But I saw batches of indigenous prisoners at exercise with hands bound behind their backs and bandages on their eyes; and I was present when some of them were interrogated through an interpreter by Colonel Missurov, of the N.K.V.D.

The business was brief. The charge would be read out: "This man is accused of being a British, or foreign, spy."

Whether the man admitted it or denied it, as most did, made no difference. A few personal details would be recorded, and Voitenkov, the Chief-of-Staff, would sign the order for his execution.

Executions at Wholesale

My colleague, Nikolai Karpov, who attended all the executions as representative of the C.O., described them to me.

Condemned prisoners were taken out by night in truckloads, 50 to 60 at a time, to the city outskirts, where Khirgiz troops had already dug their graves. After alighting from the trucks, each prisoner had to kneel beside his grave with hands tied behind his back. A Khirgiz soldier would then shoot him in the back of the head and push him into the grave. When all the executions had been carried out the graves were filled in.

Once, insufficient care was taken. A strong wind blew away the light sandy soil from the graves, revealing the bodies to the local population. The episode led to rioting, and to more careful concealment from then on.

* * *

On the very eve of our departure, after receiving the order for our recall, a signal from Moscow came in marked "Top secret and priority."

I decoded it, and took it to Voitenkov, as General Kraft, the C.O., had left for the Soviet Union that afternoon.

Voitenkov spread it out on his desk, and his eyebrows twitched. He nodded, but said nothing. The signal read: "Render harmless Agent 063, found to be a British spy."

Agent 063 was no ordinary agent. Before I left Moscow I had decoded many reports supplied by him which were of the highest value to the Soviet Union.

Agent 063, I discovered, was the Chinese Governor of Yarkand, a huge man who could hardly squeeze his fat legs into an ordinary chair.

He was well-known to most of us, and he and his adjutant often visited General Kraft.

MR. AND MRS. PETROV AT WORK ON THEIR STORY IN AUSTRALIA
"In Moscow's eyes the open functions of an embassy are subsidiary to the main business of espionage"

On these occasions he wore Chinese-style trousers, top boots which had to be specially made for him, and a light leather civilian top-coat.

Because of his official position he met all important visitors to the district, and was able to supply us with a mass of inside information about missionaries, traders and others who were said to be carrying on pro-British propaganda.

There is no doubt that Agent 063 had given immense help to the Soviet expedition. It is also certain that he had acquired an intimate and accurate knowledge of our activities.

As for the rest of the signal, "Render harmless" is a recognised formula used in secret communications with places outside the Soviet Union; it means "execute."

Voitenkov drew up a plan to implement Moscow's instructions. A Chinese interpreter was sent to the Governor with an invitation to visit our H.Q. that evening, as General Kraft wished to say goodbye before returning to the Soviet Union.

It was not likely that the Governor would refuse such an invitation, and he duly appeared.

As soon as he entered he was seized and bound, and was taken to the interrogator's room. The interrogation lasted about 15 minutes; and though I was not present I saw a brief report which indicated that Agent 063 had been accused of being a British spy, but had denied it.

Apparently he had been dumbfounded by the charge and the speed of events.

Meanwhile, three of my radio operators had been given the task of digging a large grave in the earth floor of the corridor outside our office.

Agent 063 was carried out, gagged and with his hands bound behind his back, and was laid face downwards in the corridor alongside the grave.

While the engine of a truck in the courtyard was revved up with a tremendous din, one of the interrogator's assistants fired three revolver shots into the back of the Governor's head.

His great bulk was then rolled into the grave, and petrol was poured over him and set alight to make his body unrecognisable. Then the grave was filled, the earth stamped down and the bamboo mats replaced in the corridors.

It was my concluding task to report to Moscow that their instructions had been carried out.

So much for the facts.

What did I feel? What did I think about this episode at the time? If you had been there and had asked me my views, I would have given you a smart, regimental and conclusive reply: "Moscow had given us our orders. Moscow had all the information. Moscow had told us that Agent 063 was a British spy. There was no more to be said."

But, if you had tried to discover my private opinion about Agent 063, you would not have got it at the time for all the roubles in Russia. My private opinion was that he knew too much.

Chapter II THE GREAT PURGES

As an N.K.V.D. officer in Moscow in 1936, 1937 and 1938, I lived through the most fantastic reign of terror imposed by a modern Government on its people, and a bloodbath almost too fearful to be believed.

• • •

I estimate that two million Soviet citizens must have been shot without any proper trial or examination of the stereotyped charges against them in the nightmare years of 1936, '37 and '38.

This hideous carnage was sheer madness by any standard of right and justice; but its director, which means Stalin himself, was not a madman. The purges were a calculated policy which seemed to make sense on the basis that expediency is the only law.

Why Innocent People Died

Reversing Western principles of justice, he argued that the death of innocent thousands did not matter provided all possible threats to Stalin's own power were swept away.

That is clearly how Stalin thought.

Of course, his announcements to the Soviet people were quite different. When he became aware of the horror and hatred which the purges had aroused among the people, he executed his favourite and instrument, Yezhov, who had succeeded Yagoda as chief of the N.K.V.D. (secret police), and blamed Yezhov for all the excesses of the reign of terror known as the "Yezhovschina."

Lavrenti Beria took over from Yezhov, posing as an apostle of moderation and the better deal which Stalin demanded for the Soviet people. But, as the world knows, Beria too was later to be shot.

When Yagoda fell and Yezhov first took over, he began a purge which eliminated about 3,000 higher-ranking N.K.V.D. officers, including almost all those who had ever served abroad.

The chief of my own department, Boki, an old comrade of Lenin, was arrested, followed by his three deputies, on fantastic charges of being agents of foreign espionage. They were first exiled, then shot.

I handled correspondence about all these. The signals from the camp commandants followed a stereotyped pattern—

"Prisoner X confessed to spying on behalf of the British"—or the Germans or the Japanese—"and was therefore executed by shooting."

It was invariably reported that the executed people had confessed their crime. This matter of confession is a subject in itself, and has aroused widespread controversy outside the Soviet Union, following the astounding "confessions" of prominent figures such as the defendants at the great Moscow trials, and, since the war, of men like Cardinal Mindszenty in the People's Democracies.

These confessions follow a pattern; the accused not only confesses to incredible and unlikely crimes, but goes beyond his prosecutor in reviling himself and in praising his aggressor.

There is one significant point in the debate, however. The only real question is the method by which these confessions are obtained.

No honest critic really believes that the accused is voluntarily uttering his own thoughts. It has been suggested that the Soviet interrogators possess some particularly subtle psychological approach, which breaks down the resistance of their victims' will power; and it is often said that physical violence and torture are not used to get confessions.

That is probably true in the case of notable public figures and it may be that Stalin's interrogators, and Stalin himself, were able to mix an appeal to the old Bolsheviks' party loyalty with the hope that they would save the lives of their loved ones.

But it is untrue that N.K.V.D. interrogators never resorted to violence.

Colleagues of mine who worked in the Taganskaya and Butirskaya prisons in Moscow told me of screams and howls which they heard coming from the interrogation cells; of prisoners made to stand against a wall for days on end without sleep; of beatings and tortures which made the prisoners look forward to death, and ready to sign anything to escape their pain.

I myself have seen discharged prisoners who were lifelong invalids as the result of what they had been through.

During the "Yezhovschina" I handled hundreds of signals to all parts of the Soviet Union in the following form:—

"To N.K.V.D. Frunz, Khirgiz Republic: 'You are charged with the task of exterminating 10,000 enemies of the people. Report results by signal.'—Yezhov."

And in due course the reply would come back:

"In reply to yours of—— the following enemies of the Soviet people have been shot . . ."

At first, personal particulars of all the victims were reported, but soon that became impossible, and only lists of names were sent. Even then our section worked day and night trying to keep up with the mass liquidations.

The alleged determination of the Government was to destroy the "Fifth Column" of foreign sympathisers, who were said to be lurking everywhere. Actually, Stalin's aim was ruthless elimination of all (and particularly all the old generation of the party) who might constitute a political opposition.

Order: "Exterminate 15,000"

The quotas of victims for each district and town were fixed at N.K.V.D. headquarters in Moscow. I remember one order to the town of Sverdlovsk for 15,000 "enemies of the people" to be exterminated.

What happened when these "extermination" signals from Moscow were received?

The district N.K.V.D. officials would draw up a plan based on the number necessary to meet Moscow's demands. Then the local officials would go through their lists and records to collect every sort of incriminating trace. For example, "associated with the White Army"; "bourgeois background"; "Trotskyist"; "Nationalist."

Often they were hard put to it to fill out their quota; but they dared not fail quickly to carry out Moscow's orders.

Usually, the summary executions were carried out by N.K.V.D. troops; but a cipher clerk I knew told me after a visit to Georgia that there the victims were simply thrown into old mine-shafts as the quickest method, and left to die.

Any district officials who were dilatory in carrying out their instructions would be terrified by a visitation from Moscow.

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Important political prisoners are executed in a cellar of one of the N.K.V.D. buildings in Djerjinsky Street in Moscow.

. . . "The N.K.V.D. cellar is the centre of all important political executions, including political prisoners from Rumania, Czechoslovakia, Poland, East Germany, etc."

The gates of this building are always kept closed; no interrogations are held there; entry is strictly controlled.

Such secrecy is maintained that the only people who know of the cellar and its function are officials of the First Special Department of the N.K.V.D., which handles records and dossiers, and senior N.K.V.D. officials such as heads of departments.

I discovered the details about it by accident, in 1950, just before I left for Australia. It happened in this way:

At a sanatorium near Moscow where I took my annual leave, there was also staying a certain L——— who was a colleague of mine a few years before. He introduced me to a friend of his, T———, who joined our party. But T———'s holiday was interrupted by a summons to Moscow; and thereafter he had to go to Moscow regularly, leaving in the morning and returning to the sanatorium in the evening. We would meet him at the station: he invariably arrived back drunk.

Then L——— told me the story. He explained that T——— had taken over duties which he himself had performed in the First Special Department, and that T——— had been ordered to Moscow to attend executions, as he was the case-officer and handled the files of the condemned people.

L——— then confided in me the following facts:—

The N.K.V.D. cellar is the centre of all important political executions, including political prisoners from Rumania, Czechoslovakia, Poland, East Germany, etc. The cellar is subdivided into a number of rooms for the use of the executioners—for changing the prisoners' clothes, and so on.

Before execution the prisoner changes into white underclothes only; he knows that he has been sentenced and is about to be executed.

He is led to the death cell, where he is shot in the back of the head by the executioner, either as he stands facing the wall, or just as he walks into the cell. The weapon used is an eight-shot automatic pistol.

If the first shot does not kill, the executioner follows it up with others.

A doctor certifies death; his certificate is the last paper placed in the victim's file.

A tarpaulin is spread on the floor of the cell, and a woman is employed to clean up afterwards. The bodies are taken away and buried immediately in a common grave.

In the case of important figures like Beria or Zinoviev or Kamenev, the execution is publicised next day in the newspapers. But with the rank and file there is no such publicity.

When the relatives of the executed man inquire, they are usually told that he has been sentenced to 15 years' imprisonment, without right to correspondence: that is the last they hear.

The executioners are highly paid, by Ministerial decree. They are usually ignorant and illiterate men, not burdened with too much imagination. Even so, they are men, and therefore not exempt from the feelings common to human beings. They drink heavily. One executioner, Saushka, shot himself in a lavatory.

The Press announcements during this reign of terror were bewildering, and seemed incredible even at the time. When practically the whole of the Red Army High Command was liquidated, including great names like Tukhachevsky, Ubarevich, Kork, Edemann, what could we believe?

° ° °

Chapter III — BERIA, THE BOSS

When Beria became chief of the N.K.V.D. in place of Yezhov in the autumn of 1938, he put into effect a rapid reversal of the actions of his purged predecessor which had aroused such hatred and revulsion among the Soviet people. Cases were re-examined, prisoners liberated, exiles recalled home, expelled officials and party members reinstated in their positions. At the same time a small group of Yezhov's most intimate colleagues were liquidated.

In this way Beria, and, of course, Stalin, who stood behind him, earned some popularity and a reputation as a setter-right of wrongs and injustices. Beria also gave official voice to a fact that was well known to the Soviet people—namely that many of the failures in Government departments and industry which had been too readily blamed on the sabotage of "hostile elements" were really due simply to inefficiency and bad management.

With Beria's accession to power, the reign of terror was curbed and controlled; and ordinary innocent citizens were able to breathe more freely.

But it was a change in degree only. The principle of purging political opponents and liquidating "enemies of the people" remains an intrinsic element of the Soviet system. Excesses and misuse of this principle are denounced whenever it is necessary to find a scapegoat to satisfy the people. But the purge-principle is unquestioned.

It was at the end of 1938 or early in 1939, when I was Deputy-Chief of the 6th (Cipher) Section of the 5th Directorate of the N.K.V.D., that my chief, Degtiarov, told me that the Commissar, Beria, wanted a man for an important task.

It was necessary to liquidate the Soviet Ambassador in a Middle East capital (I believe it was either Teheran or Kabul), who, it had been reported, was planning to defect from the Soviet service.

One man had to be chosen for this task out of our section; did I agree that Bokov, who had been picked, was the right choice?

Bokov, one of our cipher clerks, was tall, fair-haired, and unusually strong. He had served in the Red Navy, was taciturn by nature, and was a single man. Yes, Bokov was probably the best man we had for such a job.

The rest of the story I heard later from Bokov himself.

Two men had been chosen by Beria to assassinate a Soviet

. . . "Until his dramatic arrest in June, 1953, Beria was my Big Boss, the man who, perhaps, wielded more real power in the Soviet Union than any man except Stalin"

Ambassador in the Middle East—Bokov and a man from the highly secret Administration of Special Tasks.

This administration, then headed by Colonel Serebriansky, worked directly under Beria on special assignments of this kind.

Bokov and his colleague were summoned to Beria's presence. The People's Commissar for Internal Affairs and State Security was grave and impressive; he warned them that a particularly secret and important task had been assigned to them. Then, turning to Bokov, he said:

"Comrade, I hear that you are a man of unusual strength. Are you strong enough to kill a man with a single blow of an iron bar?"

"Yes, Comrade Commissar," answered Bokov.

Beria explained to them that there was a Soviet Ambassador in Teheran who was guilty of treachery to the Soviet Union and who must therefore be disposed of.

It had been reported that he was planning to defect from the Soviet service. The detailed plan for the operation against him would be explained to them in due course.

After this interview we supplied Bokov with a special code for direct communication with Moscow and the two men left for their destination.

The Resident provided Bokov with a short iron bar which could be concealed under his clothing, and took both men in to the Ambassador.

Death of an Ambassador

While the Ambassador was talking with the other conspirator Bokov struck him on the head from behind with the iron bar, splitting his skull and killing him with one blow, as he had promised.

They then rolled the Ambassador's body in a carpet to conceal the bloodstains and took it to the city outskirts, where they buried it.

I decoded their cable addressed to the Commissar, which reported: "Task carried out according to plan."

The Ambassador's wife was told that her husband had been called to Moscow on such urgent business that he had not had time to say good-bye; she and their two children were to follow by train.

I heard no more about their fate, but it is unlikely that they reached Moscow. They were probably taken off the train somewhere along the line and sent to a labour camp, as was usual with families of "enemies of the people."

Bokov continued to work at the Embassy as a cipher clerk for another 12 months, to cover his traces. When he returned to Moscow he was awarded the Red Star for his services. Later he worked in the directorate which kept a security watch on the armed forces.

From that time until his dramatic arrest in June, 1953, Beria was my Big Boss, the man who, perhaps, wielded more real power in the Soviet Union than any man except Stalin.

It was the war that carried Beria to the summit of his power. As chief of the N.K.V.D. he was responsible for mass transfers of population, first from the occupied parts of Poland and the Baltic States, then from the areas of Russia threatened by the Germans; for morale and internal security, including security supervision over the Armed Forces; for all the Foreign Intelligence Services of the Soviet Union except that of the Red Army; and for armaments and munitions.

As a member of the defence committee, it was Beria who organised the huge transfer of industry beyond the Ural Mountains, and the conversion of peace-time industry to war production.

When Hitler attacked the Soviet Union and the German armies advanced across Russian territory with such formidable speed, something very like panic set in. On October 16, 1941, a general evacuation from Moscow of all Government establishments, including the N.K.V.D., was ordered. I stayed on with a special cipher group attached to Beria's headquarters.

Our orders were, if the Germans captured Moscow, to burn all our files and escape as best we could to join one of the Partisan units operating behind the enemy's lines.

I have a vivid recollection of the scene in our office on the day of the evacuation, when all the chief records were being packed for removal to Kuibyshev. Files and papers were strewn all over the floor. They were hastily collected and bundled into bags for the transfer.

We retained only skeleton working files; and we expected at any moment a signal with the special prefix indicating a general emergency, because Moscow was in German hands, and directing the transfer of all lines of communication to Kuibyshev.

About four days later when the evacuation was practically complete, and there were only six of us cipher clerks left in the section, I received a telephone call from Beria's personal secretary, Mamulov, to say that the Commissar wished to see me.

Mamulov introduced me to Beria and then handed me a signal which was addressed to Beria personally.

"Can you decipher this for me?" asked Beria.

"I will do my best, Comrade Commissar."

"Do; and, if you succeed, report the contents to Mamulov."

I took the signal—all numerals—back to my office and began to apply to it the principles which I had learned at the cipher school. By a process of elimination I was gradually able to substitute letters for all the numerals, and got the text of the cable.

It was marked "Top Secret and Personal to the Commissar," and was from the N.K.V.D. representative in a factory in a town near the front line through which our Soviet troops were retreating.

"Consider Them Traitors"

It read: "Group in charge of dismantling and removing equipment is abandoning valuable machinery to the Germans. Consider them traitors in consequence."

I did not handle the Commissar's reply. I have no doubt that he ordered summary action against the suspects.

In December, 1941, I saw Beria again—on my own initiative.

My section was desperately overworked, and I had discovered that the clerks evacuated to Kuibyshev were having a fairly easy time.

Because of the German bombing, Beria at this time had his office in the strong air-raid shelter in the basement of No. 2 Djerjhinsky Street.

When I entered, Beria was sitting at his large green-topped desk, on which was a thick pile of papers and three telephones, one to Stalin direct, one to other Government offices and

. . . "What is certain is that Beria was the loser in a naked struggle for supreme power which is not yet ended. . . . Beria's real crime was a simple and fundamental one in the eyes of his rivals. He was too powerful"

Ministries, and one for long-distance calls to any part of the Soviet Union—from Murmansk to Vladivostok.

The room was furnished with a sofa, armchair, wardrobe, a large safe—and a portrait of Stalin.

Beria, in his uniform of People's Commissar, asked, "What is it you want?"

I recited my case of our over-worked and under-staffed section, reminded him that a large part of the traffic we handled served his Commissariat, and mentioned the extra clerks in Kuibyshev.

Before I finished he cut me short. "See Mamulov and ask for the number you want."

Five additional clerks arrived that day by air from Kuibyshev.

Some foreign visitors who met Beria described his manner as precise and schoolmasterish. During my interviews he gave me the impression of a serious, responsible official, intent on getting things done quickly and efficiently. Without doubt he was a first-rate administrator.

In N.K.V.D. circles Beria had the reputation of a good boss, who went to a great deal of trouble to look after the welfare of his staff. N.K.V.D. workers who were transferred to Moscow and could not get accommodation could often put their case to Beria himself, who always saw that something was found for them.

Throughout the war the N.K.V.D. restaurants were amply stocked with food when not only the civilian population, but other officials such as employees of the Ministry of Foreign Affairs, were on very meagre rations. Beria always insisted that the N.K.V.D. staff should have the best of everything.

In this he differed from Molotov and other Ministers, who lived in great luxury themselves, but took less trouble about the living and working conditions of their staff.

His drive and success in these matters did not make him more popular among his fellow-Ministers and jealous rivals.

After the war, in March, 1946, Beria seemed to divide and delegate his empire. The all-embracing N.K.V.D. was separated into two Ministries—the Ministry of State Security (M.G.B.) and the Ministry of Internal Affairs (M.V.D.). The M.G.B. was headed by Merkulov; the M.V.D. by Kruglov.

More Power for Beria

What happened to Beria? He was certainly not under a cloud, for at the same time he was made Vice-President of the Council of Ministers, and a full member of the Politburo, and in 1949 he was awarded the prized Order of Lenin.

Stalin had given him a new and vitally important task. The vast labour resources of the N.K.V.D., with which he had built huge projects like the Moscow-Volga canal and the White Sea canal, were now to be used for the development of the Soviet's atomic power, and Beria was put in charge.

I have no doubt that Beria was in supreme control both of this vital industry and of the Soviet atomic espionage which advanced our atomic knowledge by at least two years and gave the Soviet Intelligence Services their first large-scale publicity in the Western world.

But this was while Stalin lived.

Stalin died on March 5, 1953; and the next day the two Ministries, the M.G.B. and the M.V.D., were merged in one, under the title M.V.D., and Beria once more took direct control of both.

Then, a month later, the former M.G.B. was publicly disgraced by an "exposure," unknown before in Soviet history, of the use of "impermissible methods" in the extraction of confessions.

This referred to the "confessions" of a number of doctors who had been arrested before Stalin's death on charges of plotting the death of members of the Politburo. Now the doctors were freed, their oppressors were rebuked, and there was a reference to the "rights of Soviet citizens."

My opinion is that, with Stalin dead, Beria felt it necessary to recover direct control of State Security and Internal Affairs to ensure his own future; and the business of exposing M.G.B. methods was a bid for popularity with the masses, similar to the display of moderation which Beria had put on when he rebuked the excesses of Yezhov, years before.

Arrest and Execution

Three months later, in June, Beria himself was arrested by Malenkov (who had succeeded Stalin) and his allies. On December 23 he and his associates were executed.

Beria was charged with trying to put the State Security Service above party and State in order to liquidate the present Socialist regime and restore capitalism; he was accused of being an agent of British and American Intelligence, together with a long list of other crimes and misdemeanours, including picking up women who caught his fancy from the streets of Moscow.

Of Beria's private life I know little. I can only say that he did not have the look of a dissolute man when I interviewed him; and the particular charges were preposterous for a man in his position in Moscow.

Our M.V.D. colleague, Yuri Rastvorov, who escaped to the Americans in Japan a little before my own break, has suggested a reconstruction of the events in Moscow at the time of Beria's arrest, based on what he was told by prominent Soviet visitors to Japan.

His version suggested that Beria was on the point of seizing total power himself, when his plans were unveiled and anticipated by Malenkov and his allies. I cannot shed any light on this particular matter.

What is certain is that Beria was the loser in a naked struggle for supreme power which is not yet ended.

Beria, by seniority, record, abilities, achievements, was the most natural successor to Stalin among the leaders who remained. The charges of espionage for a foreign power and plotting to restore capitalism are now formalities without which the epitaph on any fallen Soviet giant is incomplete.

I do not believe that they have any substance in Beria's case. Beria's real crime was a simple and fundamental one in the eyes of his rivals. He was too powerful.

His fall had a direct and decisive influence on my own fate and my decision to escape from the Soviet service, and to take refuge in Australia.

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Chapter IV ASSIGNMENT TO SWEDEN

[by Mrs. Petrov]

ONE day in June, 1942, while the Soviet armies were locked in a struggle for survival against the invading Germans, Volodya [Mr. Petrov] said to me after work:

"My chief, Degtjarov, told me today that there's a position vacant in Sweden—someone's been recalled—and he's recommended me for it. He asked me if I liked the idea.

"I told him that I was interested, but that I would like to consult my wife. I also told him that I had misgivings, because in my job I'd seen too many cases of our people coming back from posts abroad with a black mark on their record."

"What did he say to that?"

"Oh, he brushed it aside. He said, 'Don't worry about that, Volodya. I know your background; you're a sound man; you'll be quite all right on that score. Besides, you're just married. You want to set up a nice home; you need to buy all sorts of things that you can't get here. Doosia is still very young, and I notice that she has a taste for nice clothes. Take the chance; go abroad: you'll find it a stimulating experience.'"

* * *

Degtjarov's inquiries and Volodya's hesitation were both formal gestures. The appointment had already been approved on high. In the Soviet service, whether in war or in peace, there is no question of applying for a particular post—dangerous—or of refusing such an appointment when it is offered, apart from such valid reasons as serious ill-health.

The Soviet official goes where he is sent.

* * *

Real Job—Watching Colleagues

Volodya's official posting, as notified to the Swedish authorities, was cipher clerk to the Soviet Embassy. (The country of posting is never told the real nature of the duties of Soviet Diplomatic Staff.)

His secret functions, which no one but the Ambassador and the N.K.V.D. Resident must know about, were two-fold. He was cipher clerk to the N.K.V.D. chief in the Embassy (whose function was also secret from the other Embassy members), and he was responsible to the N.K.V.D. for keeping watch on the security and loyalty of all Soviet representatives in Stockholm, including, as it turned out, the Soviet Ambassador, Mme. Kollontai.

As for me, although I remained a cadre (that is, permanent) officer of the N.K.V.D., I had no official posting to the Embassy; I went simply as Volodya's wife.

* * *

When we arrived in Sweden my husband, Volodya, was charged with an important "SK" (security watch on fellow Russians) operation—investigation of the Soviet Ambassador, the late Mme. Kollontai, a distinguished personality and a figure of world-wide renown.

The case was a good example of the effort which the Soviet Government devotes, apart from any espionage against foreign countries, to the secret surveillance of its own emissaries. My husband takes up the story:—

[by Vladimir Petrov]

I studied Mme. Kollontai's file in Moscow, and was well briefed in the case before I left.

The inside story has lain hidden in the secret archives of the M.V.D. until now.

Very few Soviet diplomats could claim such a long and devoted career in the service of the Revolution as Mme. Kollontai. Her name figured in our prescribed "History of the Communist Party of the Soviet Union."

My wife and I were both curious to see this white-haired woman of 72, by that time paralysed and restricted to a wheelchair, but still energetic in mind. She was an old comrade of Lenin, and a legendary figure from the early days of the Revolution.

Born into an intellectual middle-class family, she had thrown herself into the revolutionary movement while still a girl. Under Lenin's rule, when the revolutionary Government had seized power, she became Minister for Social Services. Then, when it became necessary to establish diplomatic relations with other countries, she was appointed Soviet Minister to Norway, and later to Sweden.

When we arrived, she had already served there for 18 years.

As a Soviet Ambassador, Mme. Kollontai showed outstanding qualities as a leader and as a representative. Inside the Embassy she took a human and detailed interest in the welfare of all her subordinates. She interviewed me on my first day, asked with solicitude about our dangerous journey, and advised me to take full advantage of the ample food supplies in Sweden to build up my health.

Her curled white hair and wrinkled face, paralysed on the right side, did not conceal the keen intelligence in her eyes.

"I urge you, Mr. Petrov, not to be foolish, as some of our people are, who stint themselves necessities in order to buy things to take back to the Soviet Union. Health is all-important: look after yourselves while you are here."

Thereafter she always greeted me and remembered my name. She showed an equal concern for the well-being of the lower ranks on her staff—chauffeurs, doorkeepers, and their families—and she even insisted on food and drink being offered to the Swedish policeman on stand-duty in front of our Embassy building.

She was always reasonable and polite to the staff, even when reproving them. When she was away ill, the rude, hectoring manner of her deputy, Semyonov, made everyone appreciate her courtesy.

A Soviet Diplomat Who Was Different

Although I was not a diplomat, we had co-opted workers who secretly brought copies of all the diplomatic cables to our N.K.V.D. office. My chief, Razin, and I would read Mme. Kollontai's reports to Moscow with admiration and astonishment, and I remember Razin exclaiming in rueful amazement: "Now where in Hell's name does an old woman get information like that?"

It was a revelation of what could be done through friendly contacts and systematic open research, as against the elaborate conspiratorial secrecy of our own methods.

* * *

Inefficiency was certainly not the offence of Mme. Kollontai. It is difficult to see how Russia could have found a better envoy.

At bottom, it was the length of time which she had spent abroad, and the close, cordial relations which she had estab-

. . . "Never in human history has any Government succeeded in throwing such a close, complex and all-embracing network of information and surveillance over its own subjects as that which is maintained today by the Soviet Union"

lished with her Swedish friends, that brought down on her the uneasy suspicions of Moscow.

She had a devoted Swedish woman secretary-companion, a Swedish chauffeur, and a Russian cook who had lived most of her life in Sweden. These were the immediate causes of Moscow's apprehension.

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Moscow feared that Mme. Kollontai was too sympathetic to the Swedes and to Swedish interests and policy. The object was to get her back to Soviet territory, where she could be adequately controlled; and at the same time to avoid any action which might produce adverse publicity in the Western countries—a real factor in the case of so famous a personality.

Moscow's first move was an instruction to all stations abroad that all foreign employes, including servants and chauffeurs, were to be dismissed and replaced by Soviet citizens. Mme. Kollontai's Swedish chauffeur, Vistrim, who had been with her for many years, had to go; he was devoted to her, and wept when he was told of his dismissal. Another old retainer, her Norwegian housemaid, was also dismissed.

Soon afterwards a new secretary was sent out from Moscow. She was actually a permanent N.K.V.D. (secret police) officer, whose real task was to keep the Ambassador under observation: her code-name was "Yelena," and it was intended that she should replace Mme. Kollontai's Swedish secretary.

But the Ambassador circumvented this move. She insisted on keeping the Swedish woman as her personal private secretary, whom she paid out of her own pocket.

With the new secretary she was polite, correct, and guarded. Yelena kept us regularly informed of Mme. Kollontai's visitors and conversations; but nothing in any way compromising came to light.

The next direction we got from Moscow was to obtain the notes and drafts of Mme. Kollontai's memoirs, which it was known she was writing.

• • •

Recalled by Moscow

She was ill and paralysed by this time; and shortly afterwards she was recalled to Moscow, and her successor, Chernyshev, came out.

Her Swedish doctor, Fru Nelson, insisted on accompanying her, and was granted a visa by Moscow; and Mme. Kollontai particularly requested that her Swedish secretary also join her.

The secretary was eventually provided with a Soviet visa, and followed her to the U.S.S.R. Moscow's whole preoccupation was to get Mme. Kollontai safely back to the Soviet Union.

On arrival in Moscow, Madame Kollontai was given official quarters, was maintained in honourable comfort, and was consulted by the Government on Swedish affairs. That was the situation when my wife and I left Moscow. She died on March 9, 1952, and was buried with full State honours.

She was probably saved by the absence of any real incriminating evidence against her, and by her prominence and popularity abroad.

Had she been younger, and less distinguished, she might have been imprisoned or relegated to some distant post as a precautionary measure.

• • •

The most important and productive work which I did in discharge of my SK responsibilities (surveillance of Soviet officials and citizens in Sweden) was connected with my agent "Misha." I met Misha on the average once a month over three years; and I know that Moscow rated him very highly as a source of information in his appointed field.

Misha was a Soviet naval officer with the rank of junior captain, and was also a secretly recruited N.K.V.D. agent in Kronstadt. He had arrived in Sweden early in the war with a group of Soviet trawlers whose crews were interned for the duration; and he had immediately reported to the Soviet Naval Attaché.

Since I had the appropriate code-name of "Moriak" (meaning "sailor") it was not surprising that Moscow agreed with our Resident's suggestion that I should take over the "running" of Misha. I was accordingly introduced to him on his next visit to the Embassy. He impressed me immediately. He was a tall, broad-shouldered, strongly-built fellow, well educated, and very direct and forthright in his manner.

The honesty and thoroughness of his reports was evident from the start. He worked from a sense of duty, and asked only for his expenses.

He kept Moscow admirably informed about Soviet internees in Sweden, who quickly divided into two camps, the pro-Soviet and the anti-Soviet.

Misha, on our instructions, joined the anti-Soviet party, and made it his business to watch disaffected people.

My first step on taking over Misha was to tighten up the security of our contacting arrangements. I forbade him to meet me at the Embassy; instead we met at various rendezvous in the city, including a lane off the Kungsgatan and a public lavatory off Humlegardsgatan.

In the summer, we met at various places in the woods round Stockholm, usually on Sundays. I often rode to these meetings with rods and fishing gear strapped to my bicycle.

At other times we used a hiding-place consisting of a tin box concealed in a crevice between two rocks. This was useful when, as happened once or twice, I thought I detected surveillance by the Swedish counter-intelligence, and so did not keep my appointment with Misha.

Eventually Misha married a Swedish girl, with Moscow's approval. After I left Sweden there was apparently some breakdown in the arrangements for contacting him; and in Canberra in late 1951, I received a cable from Moscow which indicated that Moscow was still trying to re-establish contact. Whether the failure was purely technical, or whether there were more fundamental reasons, I am unable to say.

Girl Spies Who Wavered

Never in human history has any Government succeeded in throwing such a close, complex and all-embracing network of information and surveillance over its own subjects as that which is maintained today by the Government of the Soviet Union. Nevertheless, its efficiency is constantly coming to grief on the rocks of obstinate human nature; and there are added difficulties where foreigners or foreign countries are concerned.

The N.K.V.D. found during the war, with girls whom it

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trained and directed to associate with foreigners, seamen and others, for intelligence purposes, that it was asking a lot.

A girl would be taken by her foreign friend to a good restaurant and theatre, and would have the best that foreign money could buy lavished upon her by an attentive and, perhaps, interesting companion. Next day, she would have to make a damaging report on her escort of the previous evening to one of our sour and cynical workers in a cold, bleak, unfurnished office.

It was found that these girls tended to lose interest in their work. Indeed, it used to be reckoned that with the first gift of nylons, 50 per cent of the value of the girl's report was lost, and the deterioration was swift.

We had such a regrettable case in our SK work in Sweden.

Pyotr Zavarukhin, a Military Intelligence Officer in the Embassy, was young, educated, presentable, single, and popular with the ladies.

He was of a sociable disposition, spoke Swedish well, and was fond of visiting Swedish clubs and dance-halls. It was deemed necessary to keep watch on the "SK line" over such a lively young spark, and our choice for the job was our agent "Lena," whose real identity was Afanasieva.

She was the N.K.V.D. secretary who had been sent from Moscow to watch Mme. Kollontai.

She was an attractive and intelligent girl, with classical features, auburn hair, and a nice figure, and seemed admirably suited to her task. At first, all went well, and she supplied a mass of detailed information about Zavarukhin, his activities and associates.

When Cupid Won Out

But as time went on a change came over her reports; they were as detailed as ever about the associates, but revealed less and less about Zavarukhin himself. In the end she concluded every report with the formula, "As far as Zavarukhin was concerned, his behaviour and conversation were unexceptionable."

They were married shortly after we left Sweden.

* * *

Neutral Sweden during our time was a rich and productive field for Soviet espionage. Our large and generally well-organised Soviet Embassy was an effective base for operations; there was the reservoir of goodwill towards the Soviet Union which had been built up under Mme. Kollontai's enlightened regime aided by the exploits of the Soviet armies in alliance with the West.

Above all, there was the anxiety of the Swedes not to offend their great and powerful neighbour, the Soviet Union.

Under these conditions, our espionage systems reaped a rich harvest, despite the valiant and skillful efforts of the Swedish counter-Intelligence. Apart from my own SK work, I gained an insight, as N.K.V.D. cipher clerk, into many of the secrets of our Intelligence network, and was aware of the existence of many more.

* * *

Our four-year term in Sweden ended in the autumn of 1947, and we were recalled to Moscow. My experiences there left an abiding impression on my mind of the prosperity and truly democratic atmosphere of this small capitalist country.

It brought home to me in a hundred ways the falseness and futility of Soviet propaganda, and the stupidity and inhumanity of the system I served. I pondered over these things.

But the same system had opened up for me a career in which I was successful, privileged and trusted. I had no personal grievance to goad me into action.

In all my 21 years as a professional State Security officer, I never came across one authentic case of foreign espionage inside the Soviet Union in peacetime.

Thousands were accused of espionage and shot; public scapegoats like Zinoviev, Yagoda, and Beria were invariably accused of being agents of British, American, or German Intelligence, without a shred of evidence being produced.

During the war, there were certainly cases of Soviet citizens captured by the Germans who were parachuted back into Soviet territory as spies.

But I never heard of a case in Russia comparable with those of Fuchs and Nunn May in Britain; Greenglass or Golos in America; Andersson and Enbom in Sweden; or Richard Sorge in Japan.

Yet, according to the constant warnings of the Soviet authorities, Russia is so riddled from top to bottom with the agents of foreign intelligence that only ceaseless and relentless vigilance saves it from destruction.

What is the explanation of this paradox?

The answer is simple: The vast machinery of State Security in the Soviet Union is chiefly employed not against foreign espionage (which would be extraordinarily difficult in face of the precautions maintained on Soviet territory), but against the Soviet people themselves.

Its special tasks are to prevent Soviet citizens from developing sympathy or admiration for foreign countries, and to suppress all criticism and protest against the Government.

From our return to Moscow in the autumn of 1947 until our departure for Australia in January, 1951, I was wholly employed on SK work.

* * *

SK work had acquired a new priority. Before the war it had been merely a sideline, carried out by N.K.V.D. residents in Embassies abroad in addition to their other duties.

Now I found a number of sections devoted solely to SK work in different areas of the world.

When I was briefed in Moscow for my SK job in Sweden, I was handed a single bulky file to read, containing correspondence, staff lists and miscellaneous reports all bundled into one cover.

But before I left for Australia I read orderly SK files on every member of the Canberra Embassy.

Supervising Comrades Abroad

Why this increased emphasis on supervision of Soviet citizens abroad?

At the end of the war the Soviet authorities found that three million Soviet prisoners of war and displaced people wanted to remain in war-ravaged Europe rather than return to the Soviet Union.

These Soviet citizens, deported civilians and prisoners of war, had seen at first hand the much higher standard of living enjoyed even by peasants and workers in the capitalist West.

In addition, there had been the alarming cases of officials who had fled from the Soviet service and had sought refuge in Western countries—Kravchenko and Mrs. Kasenkina in America, Gouzenko in Canada, Tokaev in Britain, and a number of others.

. . . "The Soviet Embassy in Canberra . . . was, to a degree unique among foreign embassies, a microcosm of its parent. It was a Soviet fortress on alien territory, a little Moscow on Australian soil"

Sterner supervision was the Soviet answer. Soviet delegations going abroad were a responsibility of my section.

We covered a delegation of Soviet firemen invited to England by the London Fire Brigade; we watched the Soviet delegation to United Nations, and the delegation of about 80 to the World Peace Conference, planned for London but transferred to Warsaw when the British authorities made difficulties.

We even covered a Soviet film unit which visited Communist China to make a film.

For these we appointed a chief SK representative to travel with the delegation, and recruited agents, in the proportion of about one in ten, whose task was to send regular reports on their companions.

As each delegation was already meticulously screened before leaving the Soviet Union, it is not surprising that most of the reports were satisfactory. But that did not justify any relaxation of SK vigilance.

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Chapter V AGENT VS. AMBASSADOR

[by Mrs. Petrov]

The Soviet Embassy in Canberra, whose doors we entered for the first time on February 5, 1951, was, to a degree unique among foreign embassies, a microcosm of its parent. It was a Soviet fortress on alien territory, a little Moscow on Australian soil.

The Embassy itself, a long two-storied brick building originally designed as a guest-house, looked anything but a fortress, even though its high hedge protected most of our windows from prying eyes.

It fitted in well enough with the amiable semi-provincial atmosphere of the rest of Canberra. The gates stood open during the day; postmen, telegraph boys, tradesmen and visitors came and went by the front entrance.

But behind this undramatic facade was a mentality that was constantly on the defensive, and maintained a barrier between ourselves and the town and people around us.

There was no need for special inculcation of this attitude in Russians appointed abroad; it is habitual, and is well understood by high and low in the Soviet Union as a rule to be observed in all dealings with foreigners and foreign countries.

The reserve was certainly not on the side of the good-natured, easy-going Australians. Throughout our stay in Canberra I met nothing but friendly treatment from them.

Shop people did not become less obliging when they recognised me as a Russian. Informality and cordiality marked any parties or meals to which we were invited in Australian homes.

Volodya said that if ever he got into difficulties with the car some stranger was sure to come up and ask, "Can I give you a hand there, mate?" Once in the country two farmers towed the car 10 miles behind their truck without expecting any reward. I soon became warm friends with my English teacher, who asked me to her home and introduced me to her family. But at the same time, in accordance with standard instructions, I acted on the assumption that she was an agent of Australian Security whose job was to report on me.

In Moscow a person in her position would inevitably have been an M.V.D. agent.

Even if I had known then, as I know now, that this suspicion was wrong, I would still have had to maintain the vigilance required of all Soviet representatives abroad, and especially of a representative of my rank—"Captain of State Security."

Lenin's phrase, "The Soviet Union is a fortress besieged by world capital," applied with added force to a Soviet outpost in a capitalist country.

We were taught to look for an anti-Soviet or a counter-Intelligence purpose behind all apparently innocent approaches. On the voyage out in the *Orcades,* for instance, an elderly Russian-speaking woman had sought my company on deck. But when she began to ask a number of personal questions about our Soviet people on board, I politely excused myself.

It might have been simple curiosity; but I was taking no chances.

The Kislytsins, who came out later (he was appointed Second Secretary), became friendly on the voyage with a Russian woman who had settled in Australia, and who gave them her name and address in Sydney. On arrival here, Kislytsin checked on her with Moscow, and asked permission for his wife to correspond with her.

Moscow found nothing about her in their records; their reply was: "As this woman is of no interest to us, your wife should cease corresponding with her."

So the woman's letters to Mrs. Kislytsin went unanswered.

This story illustrates better than any generality the terms under which we Soviet representatives abroad had to conduct all relations with foreigners. Such contacts are permissible on two grounds only—business, and cultivation of the person for a purpose approved by Moscow. Otherwise, avoid contact.

We were particularly instructed to avoid all interviews with foreign reporters and Press photographers, on the assumption that these were all, to a man, agents of counter-Intelligence. They certainly would have been in Russia.

Of course, diplomatic staff are expected to mix with other diplomats, and with officials of the country to which they are posted. But all such touches must be reported, and justified by their usefulness to Moscow.

The policy is to make the Soviet Embassy a self-contained unit, fortified against the attacks and enticements of the capitalist society round about.

In Canberra we had two or three meetings a year of the whole staff when we met as members of the Trade Union of Soviet Trade Employees, but we had a meeting every month of the Communist Party members, the inner group, the responsible "cadres."

Once a month we, the elite representatives of the Commu-

. . . "We were sent out to organize Soviet espionage under cover of our official Embassy appointments. But this cover was vital: it had to be effective not only against counter-Intelligence but against our Embassy colleagues"

nist Party of the U.S.S.R., had to assemble in the front hall of the Embassy, and the doors would be closed. The secretary would then say: "I declare this meeting open. Present your candidates for the presidium for tonight's meeting."

Then, voting by show of hands, we would elect a presidium of three, who would in turn elect their chairman for the evening. He would then take charge of the agenda, and would call the speakers to the special rostrum with some such introduction as, "Comrade X will now give a talk on moral and political training in the Embassy."

There would be one, or at most two, lectures in an evening, followed by questions or comments from the others present. Sometimes there would be nothing but innocuous discussion of non-controversial topics: but at other times personal enmities and bitterness flared fiercely, though always clothed in the language of official duty and zeal for the party.

Everyone knew that the minutes of these meetings went back to the Central Committee in Moscow, which was the ultimate arbiter of the fate of every one of us present.

According to the constitution of the Communist Party of the Soviet Union, all party members, whatever their status or position, have an equal right to free speech and criticism within the party.

• • •

Threat in "Office Politics"

Now I want to trace the story of the campaign against us in the Embassy, first under Lifanov, then under his successor, Generalov, which in the end drove Volodya to desperation, and changed the course of both our lives.

Both Volodya and I had been posted to Australia as Intelligence officers; I as a Captain of State Security, he as Lieutenant-Colonel (later, full Colonel).

We were sent out to organise Soviet espionage under cover of our official Embassy appointments. But this cover was vital: it had to be effective not only against counter-Intelligence, but against our Embassy colleagues, apart from those authorised by Moscow to be "in the know."

Hence the complex web of security precautions within our own ranks. As soon as we received our foreign appointments, we severed all apparent connection with the M.V.D. in Moscow, and behaved as ordinary employees of the Ministry of Foreign Affairs.

We went to work at that Ministry, and we each did courses to fit us for our cover roles—Volodya as consul, I as secretary-accountant. I knew nothing of accountancy to start with.

We each had to learn sufficient details of our pretended careers in the Ministry of Foreign Affairs to deceive any inquisitive colleagues as to our real background as permanent M.V.D. officers. This procedure illustrates how in Moscow's eyes the open functions of an Embassy are subsidiary to the main business of espionage.

At Canberra my job as accountant brought swift complications. It appeared that 34 years of Socialism in the Soviet Union had not abolished the interest of Soviet citizens in money. Because of that, I was the cause of our first collision with Lifanov.

I might have been warned by the experiences of a woman friend of mine who had been accountant at the Soviet Consulate-general in Pretoria, and who had objected to her chief's wife booking up her private laundry as public expenditure.

"If you let your chief have his way," she remarked, "you are in Moscow's bad books. On the other hand, if you stick strictly to Moscow's rules you will be unpopular with your chief. Choose for yourself."

I chose to obey my written instructions from Moscow. They were quite clear; and my own reputation was at stake.

Furniture was the first point at issue. My predecessor had been reprimanded and fined for irregularities; I intended to be meticulous, and to stick to the rules. So I examined all the cases where staff had not been paying the proper rent for the furniture which they hired (it was Embassy property), and insisted on everyone paying rent as stipulated.

Zaryezov, then Second Secretary, led the protests. He accused me of overvaluing his furniture. A committee of inquiry was appointed, and justified my figures.

The Ambassador had tried to override the regulations, saying, "I'll attend to that; your job is simply to pay out money as I direct."

But I was not prepared to contravene Moscow's instructions. I refused; and when the Moscow auditor visited Canberra, he approved my accounts and confirmed my action.

But Ambassador Lifanov was now my enemy; instead of an amenable young girl he now had a secretary who was correct but official in her personal relations with him, and an accountant to whom he could not dictate.

That, briefly, was how it all began.

Zaryezov now returned to the attack. At a party members' meeting he raised "the matter of Petrova's table."

On the centre of the table where I worked, under the glass top, someone had put a large portrait of Stalin before my arrival. Without touching the portrait, I had added near the bottom corner, two magazine pictures; the first of a Hollywood actress with an eccentric hair-do, the second of a dog playing the piano. These pictures had amused me, and I had put them under my table top without another thought.

Charge: Dog's Picture With Stalin's

"Comrade Petrova," announced Zaryezov severely, "keeps pictures of a girl and a dog close to the portrait of Stalin."

"What nonsense!" I answered. "They are not close together at all. I certainly never intended a jibe at Stalin. You know that, Comrade Zaryezov.

"If you are trying to prove your vigilance this only shows up your malice."

But I was very upset. The consequences of such a petty incident can be very serious in the fear-ridden whispering gallery of Soviet official circles.

I knew very well that the minutes of every party meeting went to the Central Committee of the party in Moscow.

In most countries such a charge would have been laughed out of court. But I did not take it lightly. I wrote to the Central Committee, insisting on the baselessness of the charge. I even enclosed a sketch of the layout of the top of my table. I knew only too well what a breath of suspicion, however baseless, can do on the file of a Soviet citizen.

It was Zaryezov who later brought an equally ludicrous charge against Volodya.

. . . "We had the task of organising Soviet espionage against Australia, while defending ourselves against the attacks of our jealous colleagues on our doorstep"

When Volodya was sitting in his consular office on the ground floor of the Embassy our Alsatian dog Jack jumped through the window and ran up and down the corridor before he was caught and taken home.

Zaryezov moved a censure motion about this occurrence, which was recorded and sent to Moscow with the minutes of the meeting. That was in Lifanov's time.

When the new Ambassador Generalov arrived with all the authority and importance of an envoy fresh from Moscow, one of his first actions was to send for Volodya.

With the utmost solemnity he said: "Vladimir Mikhailovich, the Central Committee of the Communist Party of the Soviet Union has ordered that you are not to bring your dog into the precincts of our Embassy."

What was at the root of this hostility, which began almost from the time of our arrival in Canberra?

Two Petrovs' Salary: $17,920

Envy played a big part. Volodya and I had no children, and were both in good jobs. We computed our combined salary at about £A8,000 [$17,920]. Its actual purchasing power in Moscow (where half of it was deposited) was nothing like that value. Nevertheless we were the most prosperous couple in the Embassy. Lifanov never failed to raise his eyebrows and make some pointed comment on our prosperity when I brought him the staff salary lists to sign.

We had our own house, 7 Lockyer Street, in the suburb of Griffith and we had a minimum quantity of furniture which was M.V.D. property.

I am sure that many of the other Embassy women were jealous of my liking for nice clothes and my good fortune in being able to buy them.

But the root cause of the trouble, it seems to me now, was deeper than any of these issues. It was a conflict inherent in the whole Soviet system of suspicion, check and counter-check. Lifanov knew that Volodya and I were M.V.D. officers and therefore represented a seperate arm of authority which was never safely under his control. We had our separate channels of communication, our own headquarters in Moscow.

It was quite common for Soviet ambassadors abroad to attempt to discredit the M.V.D. Residents, and to bring about a quick shuffle of replacements, lest the Resident should acquire too much influence and become a threat to the Ambassador himself. It was an understandable reaction in the circumstances.

* * *

The power of a Soviet ambassador over his staff lies in the fact that a period of foreign service means extra pay and an opportunity to acquire goods of a quantity and quality unprocurable in the Soviet Union. It is a chance that may come only once in a lifetime.

Each staff member goes in fear of the ambassador's power to have him recalled at short notice to the Soviet Union, as well as to make a damaging report on his behaviour abroad.

The Kleshovs were a case in point. At first they were friendly; then their attitude to us became reserved and distant.

On the eve of their return to Moscow I asked Mrs. Kleshov: "Why do you avoid my company? Why do you dislike me?"

She relented. "I don't dislike you at all," she answered. "Now that we are going back I can tell you that we are your friends. But we dared not ignore the Ambassador's lead."

I understood. There is an apt Russian proverb: "The fish goes bad beginning at the head."

Gradually the whole staff began to take their cue from the Lifanovs and to adopt the same guarded reserve, though I knew they had no feelings of personal ill-will towards us.

It was the old scramble to avoid being linked with anyone under the cloud of official disfavour.

As chief cipher clerk, Prudnikov was in a key position to keep himself informed on the progress of these intrigues. He saw all the secret communications of the Embassy except the correspondence between our M.V.D. office and headquarters, which we handled separately, using our own codes.

Prudnikov had been secretly co-opted in Moscow as an M.V.D. agent. Moreover, a feud arose between him and our Party Secretary, Kovaliev, after Kovaliev succeeded him in that position. Therefore, Prudnikov decided to show us two signals which vitally concerned us.

* * *

There were two—one from the Ambassador to the Ministry of Foreign Affairs, the other from the Party Secretary, Kovaliev, to the Central Committee.

In identical terms they charged that I was causing division in the ranks; and that together we were plotting to form a Beria faction in the Embassy.

The first charge was almost routine in Soviet campaigns of defamation. We could hope that Moscow would take it with a grain of salt.

* * *

Peril of Link With Beria

But I did not feel like laughing over the Beria charge. The fact that there was not a shred of truth in it made little difference. It was a political charge of the gravest kind. Both of us had seen people's lives blighted by far less serious accusations.

* * *

Although Beria had been head of the M.V.D. we were in no sense his personal followers. We would certainly have been arrested at the time of his fall if that had been the case. As for "splitting the collective," it was true that I had refused to be as subservient to the Ambassador as he wished, but I felt that I had right and Moscow's directive on my side.

Our isolation from some members of the staff had been Lifanov's doing, not ours.

As soon as Prudnikov showed us the signals from Lifanov and Kovaliev, we at once sent off our own account of the business to M.V.D. headquarters. Neither we nor our attackers received any immediate reply; Moscow reserved its judgment for the time being.

* * *

We had the task of organising Soviet espionage against Australia, while defending ourselves against the attacks of our jealous colleagues on our doorstep. The Embassy, which should have been a strong home base, had become more menacingly hostile than the alien society whose secrets we had to steal.

The campaign undermined Volodya completely. After the Beria accusation he was scarcely recognisable as the same man. Instead of his normal placid self he became nervous and haggard.

He knew too much, had seen too many tragedies start in just such lies and calumnies as were being hurled at us.

Volodya will now continue the narrative of our life in Australia which culminated in our flight from fear to freedom.

Chapter VI ESPIONAGE DOWN UNDER

[by Vladimir Petrov]

"In Australia, Comrade Petrov, you will have a most important task," said small, dapper General Utekhin when, politely and precisely, he briefed me at M.V.D. headquarters in Moscow.

"Anti-Soviet elements are strong there. The Australian immigration policy has opened the door to anti-Soviet Balts and to renegades among Soviet citizens who refused to return home from Germany. You must detect these individuals and organisations, and recruit agents to report their plans and activities."

That was my commission from the EM Department of the M.V.D., which watched *émigré* populations in every country where anti-Soviet forces might gather strength.

My other secret assignment was the "SK line," which meant that I was responsible for keeping security watch over all the "Soviet colony" in Australia—namely, the members of our Embassy, and the 200 miscellaneous holders of Soviet passports.

I knew the principles of this job pretty thoroughly, having worked on it for the previous three years in Moscow, and before that in Sweden.

• • •

Spreading Soviet Culture

As well as consul, my open official duties included that of representative of VOKS, the Soviet cultural organisation. In this way I had a chance to travel, meet people, and see the country, which my jealous colleagues greatly envied.

The Australia-Russia societies in the various States were my channel for the distribution of VOKS material.

I sent these societies quantities of Soviet literature, gramophone records and films, which we supplied free. The profits which they made in this way helped to finance their activities.

• • •

The two main centres of VOKS work were Sydney and Melbourne. In Melbourne, I dealt with John Rodgers, director of Australia-Soviet House, Flinders Lane. I did not approach him in my M.V.D. capacity for espionage purposes, or tell him that I was an M.V.D. officer. During my visits to Melbourne he would discuss the work of Australia-Soviet House, and ask me for the latest Soviet films, music, and literature.

Rodgers showed me the same openhanded hospitality that I had met elsewhere in Australia. If we had a meal or a drink together he would insist, "No, no. While in Melbourne you are my guest. I'll be yours in Canberra."

I visited his home and took presents for his little boy (not paid for out of any VOKS, M.V.D. or official funds); and he and his family dined with Doosia (my wife) and myself at our house in Canberra.

We were both impressed with Rodgers as a man; he was intelligent, forceful, and assured in business matters and in social life; and seemed to us a very good husband and father.

He had paid a short visit to the Soviet Union; and whenever he spoke enthusiastically about the achievements and the spirit of the Soviet people in their Socialist homeland I did not contradict him. It was not my function to tell him the real Russia behind the façade shown to visitors, the Soviet Russia that I knew.

• • •

For me in my open capacity as VOKS representative, and my secret assignment to keep watch on anti-Soviet *émigrés* in Australia, the Russian Social Club in George Street, Sydney, provided a natural base for operations.

The members of the Russian Social Club were a mixed and varied assortment. The club had been founded during the war in the cordial era when the Soviet Union and the Western powers were allies against Hitler. We considered it to be still pro-Soviet in complexion and a useful centre for the distribution of Soviet literature, records, and films.

The club occupied three rooms, provided an excellent restaurant service, and attracted a number of non-political members, who came for the Russian food, music, and conversation.

But it provided just the kind of social circle which a Soviet official needed to get acquainted with *émigrés* in a foreign country.

Over this club presided the well-known figures of Mr. and Mrs. Klodnitsky. This middle-aged pair had married in Paris and had lived outside Russia ever since the Revolution.

Mr. Klodnitsky, who really belonged to the old Russia, amazed me by his knowledge of Russian classical writers, novelists, and poets; his recitation of passages from Tolstoy, Gogol, Dostoievsy, Lermontov, and Pushkin surpassed anything I had ever heard.

In the Soviet Union today even the best students of literature are so overburdened with outside duties and responsibilities that they can never make the works of the great Russian writers a part of themselves as Mr. Klodnitsky had done.

One of my duties was to arrange the repatriation of Soviet *émigrés* to Russia.

In 1952 the Soviet Government declared an amnesty on all the "non-returners"—Soviet citizens who had been in foreign countries at the end of the war and had refused to obey the call to return to their native land.

The punitive policy towards these people was renounced, and a vigorous repatriation campaign was launched. Two special employees joined our Embassy, Gordeyev and Pavlov, whom I knew to be colonels of Military Intelligence, but who were repatriation officers as well.

As consul I had to arrange the travel documents for all Russian repatriates from Australia and I interviewed most of them.

Dilemma of Russians in Australia

There were some poignant stories. Often the indecision and mental anguish of these people was heartrending.

On the one hand, they were fortunate immigrants to a land of plenty and opportunity; most of them were enjoying a material prosperity such as they had never known before. On the other hand, there was the natural yearning of any migrant towards his own home and country, a yearning skilfully exploited in an illustrated pamphlet issued by the Soviet Government entitled "We returned to our own land."

This showed pictures of returners who were happily settled in good jobs back in their native towns and villages. Most of the repatriates were moved by a deep longing to see some parent or relative whom they had left behind.

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The case of Yalinichev had come to my notice in Moscow, before ever I thought of coming to Australia. He was a seaman who deserted from a Soviet ship in Egypt, and later

. . . "Our task was to assist the entry and establishment of 'illegal' agents, who would thereafter sever their connections with the Embassy, and operate independently with their own lines of communications to Moscow"

made his way to Australia. There we lost track of him, and did not expect to hear of him again.

I was, therefore, astonished when a presentable, well-built young man walked into my consular office at Canberra, introducing himself as Yalinichev, and said that he wanted to go home to Russia. He told me his story.

During heavy weather at sea when all the crew were struggling on deck, he had abused the political commissar for not lending a hand. He had later deserted the ship for fear of the consequences of this outburst. In Australia he had found a good job, had made good friends and had fallen in love with an Australian girl. However, his hopes in that direction came to nothing.

Disappointed and longing to see his own country and his father and mother again, Yalinichev asked to be sent home. He was still progressive and pro-Soviet, he told me, and was willing to take the consequences of his desertion.

I arranged his return. The M.V.D. was interested and asked for his ship and cabin number. I heard that in London he was met and escorted direct to the Soviet Embassy, then flown to Moscow. What I knew, but was strictly forbidden to tell Yalinichev, was that the Soviet penalty for desertion is not less than 10 years in a labour camp.

Why was the Soviet Government ready to pay the fares of these people and to take so much trouble to get them back?

Chiefly, I think, for propaganda reasons, to show the Soviet Government's paternal interest in Soviet nationals everywhere, and also to reduce the number of former Soviet citizens abroad who might form an opposition party on foreign soil. The Soviet Government finds its subjects much more docile when they are safely within the confines of Russia.

Promotion to Secret-Police Chief

In February, 1952, when I had been just a year in Australia, I was instructed to take over the job of M.V.D. chief in Australia from Pakhomov, who was being recalled to Moscow. I do not know the reason for his recall, but he had reported having been under observation in Melbourne.

This meant that in addition to my previous tasks, I was now responsible for directing all M.V.D. espionage in Australia.

And I had to do this on top of my open functions at the Embassy.

Though the change meant promotion for me, I was sorry to lose Pakhomov. We had worked together well, and had many talks about the problems and possibilities of our job in Australia.

• • •

As Tass man he established wide contacts among journalists in Sydney, and in the Parliamentary Press Gallery at Canberra.

Among his contacts was a young Sydney journalist who supplied him with detailed personal particulars about a large number of Australian journalists in a report which achieved fame during the Royal Commission.

The original typewritten report was among the documents which I handed to the Australian Security organisation.

These personality reports included such items as "heavy drinker" and other weaknesses and characteristics which could be used in applying pressure with a view to recruiting them as Soviet agents either by inducement or blackmail.

Moscow commented that this information was very valuable, and gave Pakhomov's successor, Antonov, the special task for further developing this journalist.

We hoped to recruit him as a regular agent, but he had not been recruited when I left the Embassy.

• • •

Soon after I became M.V.D. chief I got instructions from Moscow about organising "illegal work" in Australia.

The term "illegal" bears little relation to the technicalities of law in the countries concerned; for the work of a so-called "legal" M.V.D. Resident in a Soviet Embassy is certainly aimed at inducing espionage agents to commit criminal acts contrary to the law of their country.

The term "illegal" simply indicates that the spymaster, or agent, does not have the "legal" cover as an official Soviet representative and works independently of any Soviet Embassy, legation, or consulate.

The two systems are designed to operate concurrently but separately; each has its own advantages and drawbacks. The vital importance of the "illegal" system is that it can continue to operate in time of war after diplomatic representatives have been withdrawn.

Preparations for War

Moscow's letter read:—

"The aggravation of the international situation and the pressing necessity for the timely exposure and prevention of the cunning designs of the enemy demands a fundamental reorganisation of the whole of our intelligence work and the creation in Australia of an illegal apparatus which could uninterruptedly and effectively operate under any conditions."

At the same time, Moscow warned us that we must discuss this matter with our agents delicately, and in such a way that "no panic is caused among them, and so that they would not interpret our preparations as a sign of inevitable war."

Whenever I received directives from Moscow I could not help reflecting how easy it was to draw up flawless plans and pen excellent advice to us in the field from the safe eminence of a desk in Moscow headquarters.

For example, a crack in the boards of a railway bridge near Canberra which I proposed as a "bank" or hiding place for secret material deposited by agents.

In vetoing my suggestion, some M.V.D. (secret police) bureaucrat in Moscow, who had never been within 10,000 miles of the peaceful countryside round Canberra, took the opportunity to write 15 pompous paragraphs of general principles about secret hiding places.

He even warned me to beware lest the material be destroyed by rodents.

To help me set going the plan for "illegal" work I had Antonov, the Tass news agency man, and Kislytsin, the Second Secretary. Our task was to assist the entry and establishment of "illegal" agents, who would thereafter sever their connections with the Embassy, and operate independently with their own lines of communications to Moscow.

Two examples illustrate our preparations for "illegal" work in Australia.

. . . "My evidence before the Royal Commission on Espionage in Australia . . . made clear what careful planning and elaborate machinery were employed by the M.V.D. . . . Espionage is a distinct and principal Soviet industry . . . Our aim in Australia was the same as elsewhere—to recruit and develop top-level agents, capable of supplying the Soviet Union with top-secret political and strategic information"

Pechek (real name Vincenc Divisek) was a Czech who, during the war, was conscripted to the German Army, deserted to the Russians, and after training was parachuted back into Czechoslovakia with a radio set.

He proved an extremely good Soviet agent, and worked with the Czech underground.

After the war he was manager of a hotel which was taken over by the Communist Government when it seized power in Czechoslovakia.

Pechek then sought to migrate to Australia, where his wife had relatives. But his former Russian Intelligence chief, Captain Medvedyev, got in touch with him in Prague. As the price of his exit permit, Pechek agreed to act as a Soviet agent in Australia.

Rendezvous arrangements were noted by Pechek in his diary. The agreed place, chosen at random from a travel leaflet, was Governor Phillip's statue in the Botanic Gardens, Sydney. Pechek was to wear a brown hat and carry a black brief-case; his contact man would ask: "Can you direct me to Hyde Park," and Pechek was to reply, "I don't know; I just arrive from Prague."

Moscow made several unsuccessful attempts to regain contact with Pechek in Australia. What none of us knew was that when he arrived in Australia in 1949 he went straight to the Australian Security authorities, told them the whole story, and kept a number of appointments under their direction.

For some reason (fortunately from the Soviet point of view) his contacts did not appear.

A Rendezvous That Failed

I myself kept one rendezvous. Moscow said that Pechek had been informed by separate letter, but he did not show up. I was probably saved simply by a breakdown in staff work.

If Moscow had entertained any suspicions about Pechek they would not have been pressing us to reactivate him after five years' quiescence in Australia, as they were when I left the Embassy.

One day in November, 1952, I stood by the bedside of Mrs. K., an old Siberian woman who lay ill and paralysed in a room in her unpretentious house near Sydney Central Railway Station.

Long an invalid, she had been struck by paralysis when someone poisoned her Alsatian dog, to which she was devoted. With me was Dr. Bialoguski, who was giving her medical attention.

She showed me a photograph of her only son, living at Ochmolinsk in Siberia.

"That's him," she said, "I wouldn't mistake my own son even after all these years. If he walked in that door now I'd know him at once."

"And what about your grandchildren?" I asked her. "Would you know them by sight?"

"Oh dear, no," she answered, "I've never seen them. I wouldn't know one of them, I'm afraid. But I'd give anything to set eyes on them, on my own flesh and blood."

As she lay there, frail and forlorn, she reminded me of my own mother, just such another Siberian peasant woman, when I said good-bye to her for the last time in Larikha just before she died.

Mrs. K. longed to die in her native village; but there seemed now no hope of that.

Her name had come on to the books of the M.V.D. in a curious way.

She and her husband, a plumber, had migrated to Australia by way of China in 1912, and had prospered in Australia. Some time before my arrival she had approached our Embassy in Canberra. Her husband was dead, she was too ill to travel, and she wanted to bequeath her house and furniture to her only son in the Soviet Union.

Could we arrange it?

My M.V.D. predecessor, Sadovnikov, handled the case. He found a lawyer for her, arranged the business and forwarded her will and all details to the Soviet Union.

Now, seriously ill, she had appealed to the Embassy again.

I was able to reassure her that her will was intact, and to arrange a small mortgage on her property to eke out her pension. I gave her this help as Soviet consul.

But I had a further task with Mrs. K. My questions about her family were not casual; they had been dictated by M.V.D. headquarters in Moscow, who are always interested in such human stories. Moscow proposed to send out a regular M.V.D. worker for "illegal" duties in Australia in the guise of one of Mrs. K's relatives.

After this visit I reported that the plan would be feasible if the worker posed as one of her grandchildren, and provided the connivance of her son were secured. That detail was probably not beyond the capacity of the M.V.D. in the Soviet Union.

I heard no more from Moscow. That is all I know.

My evidence before the Royal Commission on Espionage in Australia, and that of my wife, made clear what careful planning and elaborate machinery were employed by the M.V.D. in Australia, as in other countries, for the purpose of espionage.

"Continuous, Covert Warfare With World"

Espionage is a distinct and principal Soviet industry. This must be so; because the Soviet Union, alone of all the great powers, regards itself as being in a continuous and chronic state of covert warfare with the whole world outside the borders of the Communist empire.

And conspiratorial techniques are natural to a regime that seized power and maintains power by conspiratorial methods.

Soviet espionage has reaped a rich harvest by such methods, especially against friendly and unsuspecting countries.

Our aim in Australia was the same as elsewhere—to recruit and develop top-level agents, capable of supplying the Soviet Union with top-secret political and strategic information.

PLUS & MINUS
Latest Indicators of Business Activity

Business activity is at a record high, but there are signs that credit controls are taking effect. The recovery is likely to face a further test from price increases, which are becoming more pronounced under pressure of strong demand and rising costs.

Corporate profits are one measure of the improvement from 1954. Second-quarter earnings of 21.2 billion dollars after taxes were up 26 per cent from a year earlier, to the highest level since first quarter, 1951.

Large manufacturing corporations reported second-quarter earnings 40 per cent larger than in the same period last year, with durable-goods producers showing a 52 per cent increase.

Primary-metals companies boosted after-tax income 73 per cent and motor-vehicle firms registered a gain of 61 per cent over a year earlier.

Nondurable-goods producers earned 20 per cent more after taxes in the second quarter than in the same three months of 1954.

Railroads made a gain of 78 per cent, telephone companies showed a 25 per cent increase and electric utilities raised profits 11 per cent.

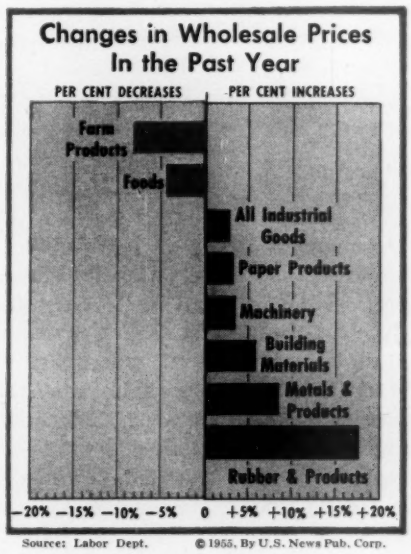
Business borrowing from weekly reporting member banks also indicates the extent of recovery from a year ago. Total loans this year through mid-September increased 1,959,000,000 dollars. In the same span last year, there was a decline of 2,357,000,000. Biggest increases in demand for funds were by metal-products companies and sales-finance firms.

Industry plans and forecasts show little concern about inability to obtain credit for essential needs.

Auto-industry predictions of next year's sales indicate the hope of matching this year's record.

Steel output at capacity levels is assured by orders for fourth-quarter delivery, and demand is already extending into the first quarter.

Chemical-industry sales this year will be 20 per cent above last year's record, the Department of Commerce estimates.



Rubber consumption will climb 7 per cent above the previous high in 1953, with tire production exceeding 100 million units for the first time, the Department predicts.

Freight carloadings in the Allegheny region in the fourth quarter are expected to be 16.3 per cent larger than in the same 1954 period.

Freight cars on order numbered 52,803 on September 1, compared with 13,013 a year earlier.

Fir-plywood output is expected to reach a record 4.8 billion square feet this year and 5.3 billion next year. The 1954 total was 3.8 billion.

Machine-tool orders pile up, with demand strong for automatic equipment to help trim labor costs and hold down prices.

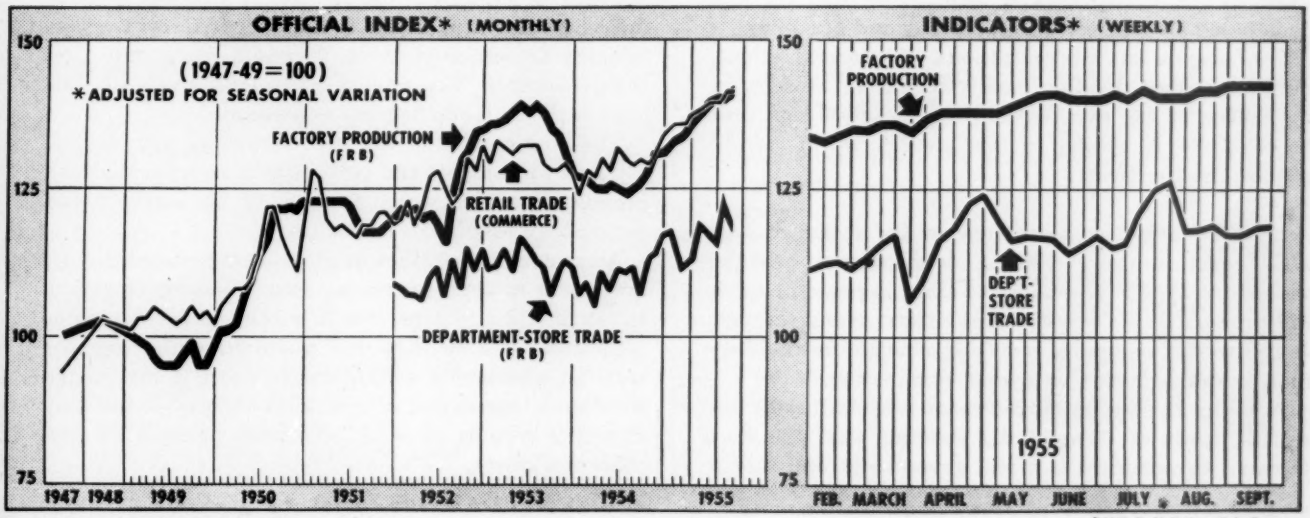
Prices are beginning to be pushed up by the pressure of demand and rising material and labor costs. Weekly reported wholesale prices were 1 per cent higher in mid-September than in mid-August. It was the largest increase in a four-week period since June and July, 1953.

The top chart shows that declining prices of farm products and foods have kept down the over-all wholesale average. Farm prices are 8 per cent below August, 1954, when the present business recovery began, and food prices are 4.2 per cent lower.

Industrial-goods prices are 2.6 per cent above a year ago and have risen 1.6 per cent just since June, to a record high. Biggest gains have been in rubber and metal products.

Further price increases for finished products, especially durable goods, are expected in industry circles.

The upward price trend should be watched for its effect on business activity. If competition and growing efficiency fail to counteract rising costs of material and labor, prices might rise enough to take the steam out of the business advance.



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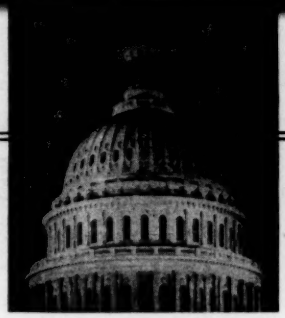

TWO GERMANYS— THE WAY TO BREED WAR

BY DAVID LAWRENCE

THE HISTORY OF THE WORLD is replete with instances in which a dismembered nation has nurtured its resentments and, under the perennial impulse of nationalism, has finally sought its revenge in war.

Alsace-Lorraine is the classic example. The people of France never forgot how their German conquerors took away their territory and exiled their countrymen. It was for generations one of the basic causes of ill-feeling between Germany and France. It led to the outbreak of World War I.

The continuance of two Germanys for decades to come is the apparent objective today of the Communists who rule Soviet Russia. Chancellor Adenauer in his recent mission to Moscow found that he was dealing with a ruthless enemy who scorns unification on any terms except the establishment of a Communist-dominated state. He had to agree to formal diplomatic relations in order to win freedom for the 10,000 hostages held by the Communists though, under the rules of civilized nations, prisoners must be returned after hostilities cease and peace has been restored.

For ten years the guns on the Western front have been silent. Other countries allied with Soviet Russia long ago returned the prisoners they had taken in the war. But the Communists, using the technique of blackmail—being practiced also today by Red China with respect to American citizens held captive—demanded a ransom. So Moscow got what it all along has wanted —two Germanys, each with a separate government.

The question now is whether Moscow's war lords will not themselves someday pay for their miscalculation a tragic price—a world war in which the Soviet cities will be destroyed and incalculable damage will be inflicted on the people of Germany and her allies.

For, despite all its professions of peaceful intent, the behavior of the Communist regime in Moscow in the matter of the two Germanys is clearly a sign that the Kremlin is willing to risk another world war to achieve its objectives.

To keep two Germanys in the status of separate governmental entities is not the way to heal the wounds of World War II or to bring a peaceful spirit in Europe. It is the way to breed bitterness and revenge. It means the beginning of a long struggle by the German people against Communist domination.

Actually the Soviet Government is violating the so-called "spirit of Geneva" by insisting that the East German Government is a real government and that it must be placed on an equal footing with the West German Government. Free elections have been held in West Germany, where political freedom prevails, but in East Germany there is despotism and tyranny—a government which is the enslaved puppet of Moscow.

Nationalism is a natural emotion. It is derived from patriotism and love of freedom and independence. The people of Germany will never give up their crusade for freedom and independence. They will in due time determine to risk their lives to achieve it. For Communist colonialism cannot be tolerated.

Secretary of State John Foster Dulles said last week to the United Nations General Assembly:

"The German people have now been forcibly divided for over ten years. The perpetuation of this division is a crime against nature.

"Three-quarters of the Germans are in the Federal Republic, and they are fortunate in having a great leader, Chancellor Adenauer. He stands for a united Germany that will be peaceful and that will find its mission in friendly cooperation with its neighbors. He is determined that Germany's legitimate needs for security and sovereign equality shall be met without a revival of German militarism.

"It would, however, be a tragic mistake to assume that because most of the Germans now have chosen that enlightened viewpoint, the injustice of dividing Germany can therefore be perpetuated without grave risk."

The Soviet schemers, of course, will seek by "peaceful means," as they did in Poland, to bamboozle the allies into accepting a formula for a "coalition" government. It's the same old stratagem that was successfully interjected in China to help break down the Nationalist Government there. It would mean only one, thing—another Communist-controlled state in Europe as the fruit of a flagrant aggression.

The continuance of the two Germanys will inevitably lead to incidents and outbreaks of violence that can provoke a war in which the rest of the world would certainly be involved.

America and her allies must be alert to build enough armament to deter the enemy from annexing Germany to the satellite system. For it is beginning to be painfully clear that military and moral strength—together with an announced willingness to exert it for human freedom if aggression of any kind occurs—is the only means of keeping all of us from being plunged into another world war.

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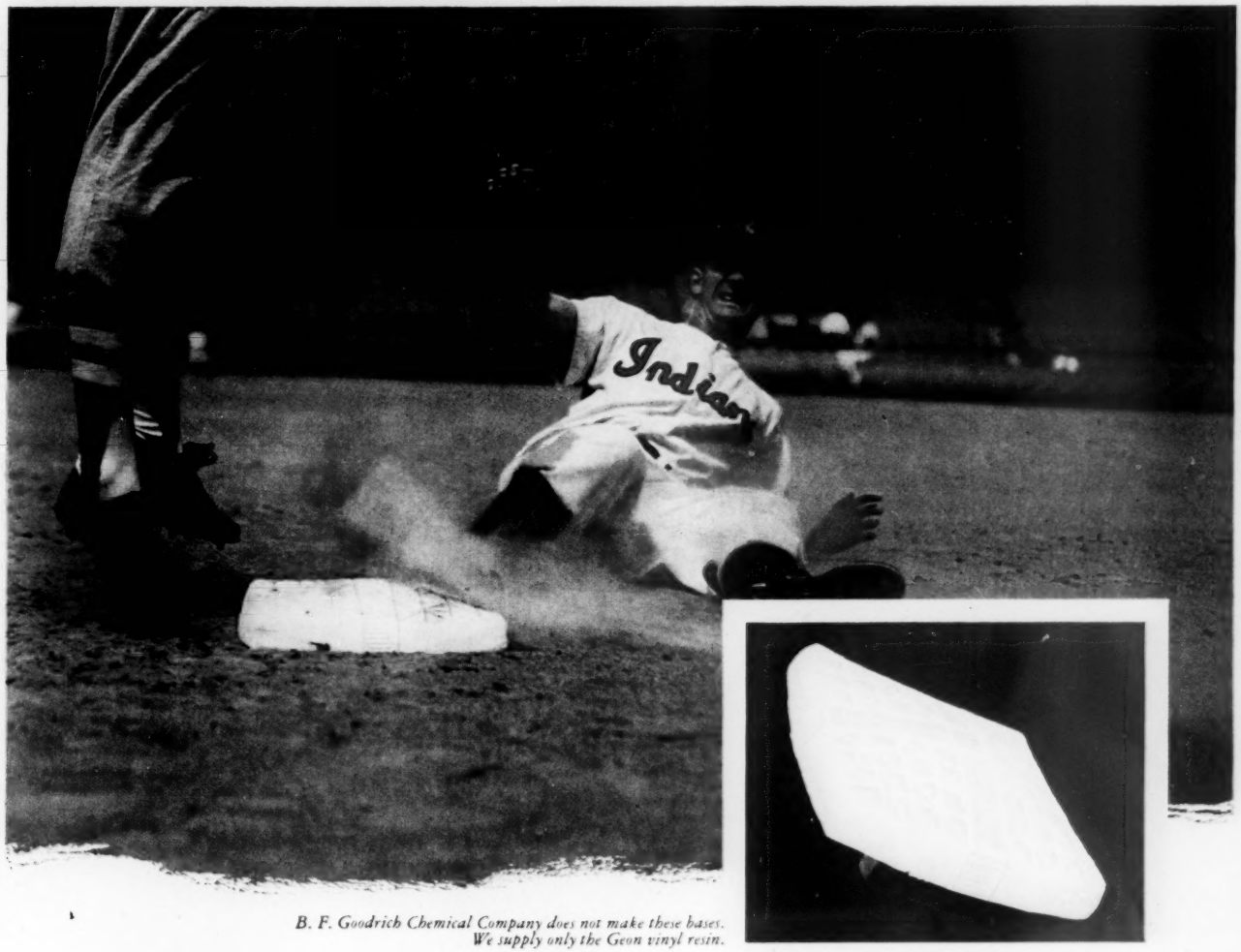

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